

DEVON ENERGY CORP/DE

FORM 10-Q (Quarterly Report)

Filed 08/13/03 for the Period Ending 06/30/03

Address	333 W. SHERIDAN AVENUE OKLAHOMA CITY, OK 73102
Telephone	4055528183
CIK	0001090012
Symbol	DVN
SIC Code	1311 - Crude Petroleum and Natural Gas
Fiscal Year	12/31

DEVON ENERGY CORP/DE

FORM 10-Q (Quarterly Report)

Filed 8/13/2003 For Period Ending 6/30/2003

Address	20 N BROADWAY STE 1500 OKLAHOMA CITY, Oklahoma 73102
Telephone	405-235-3611
CIK	0001090012
Industry	Oil & Gas Operations
Sector	Energy
Fiscal Year	12/31

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2003

or

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

Commission File No. 000-30176

Devon Energy Corporation

(Exact Name of Registrant as Specified in its Charter)

Delaware

*(State or Other Jurisdiction of
Incorporation or Organization)*

73-1567067

*(I.R.S. Employer
Identification Number)*

20 North Broadway

Oklahoma City, Oklahoma

(Address of Principal Executive Offices)

73102-8260

(Zip Code)

Registrant's telephone number, including area code:

(405) 235-3611

Former name, former address and former fiscal year, if changed from last report.

Not applicable

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 No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of Registrant's common stock, par value \$.10, as of July 31, 2003, was 231,880,000.

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DEVON ENERGY CORPORATION
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DEFINITIONS

As used in this document:

“AECO” means the price of gas delivered onto the NOVA Gas Transmission Ltd. System.

“Bbl” or “Bbls” means barrel or barrels.

“Bcf” means one billion cubic feet.

“Boe” means barrel of oil equivalent, determined by using the ratio of one Bbl of oil or NGLs to six Mcf of gas.

“Brent” means pricing point for selling North Sea crude oil.

“Btu” means British Thermal units, a measure of heating value.

“Inside FERC” refers to the publication *Inside F.E.R.C.'s Gas Market Report*.

“LIBOR” means London Interbank Offered Rate.

“MMBbls” means one million barrels.

“MMBoe” means one million Boe.

“MMBtu” means one million Btu.

“Mcf” means one thousand cubic feet.

“NGL” or “NGLs” means natural gas liquids.

“NYMEX” means New York Mercantile Exchange.

“Oil” includes crude oil and condensate.

DEVON ENERGY CORPORATION

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2003 and 2002

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

DEVON ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 2003	December 31, 2002
	(Unaudited) (In millions, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 724	\$ 292
Accounts receivable	965	639
Inventories	71	26
Fair value of financial instruments	11	4
Income taxes receivable	11	56
Assets of discontinued operations	—	7
Investments and other current assets	57	40
	<hr/>	<hr/>
Total current assets	1,839	1,064
	<hr/>	<hr/>
Property and equipment, at cost, based on the full cost method of accounting for oil and gas properties (\$3,296 and \$2,289 excluded from amortization in 2003 and 2002, respectively)	26,598	18,786
Less accumulated depreciation, depletion and amortization	9,006	7,934
	<hr/>	<hr/>
	17,592	10,852
Investment in ChevronTexaco Corporation common stock at fair value	512	472
Fair value of financial instruments	4	1
Goodwill	5,324	3,555
Other assets	340	281
	<hr/>	<hr/>
Total assets	\$25,611	\$16,225
	<hr/>	<hr/>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable:		
Trade	651	376
Revenues and royalties due to others	278	261
Income taxes payable	75	9
Current portion of long-term debt	575	—
Accrued interest payable	147	119
Merger related expenses payable	58	12
Fair value of financial instruments	262	151
Current portion of asset retirement obligation	33	—
Accrued expenses and other current liabilities	131	114
	<hr/>	<hr/>
Total current liabilities	2,210	1,042
	<hr/>	<hr/>
Other liabilities	395	323
Asset retirement obligation, long-term	612	—
Debentures exchangeable into shares of ChevronTexaco Corporation common stock	669	662
Other long-term debt	7,830	6,900
Preferred stock of a subsidiary	55	—
Deferred revenue	88	—
Fair value of financial instruments	24	18
Deferred income taxes	4,076	2,627
Stockholders' equity:		
Preferred stock of \$1.00 par value (\$100 liquidation value) Authorized 4,500,000 shares; issued 1,500,000 in 2003 and 2002	1	1
Common stock of \$0.10 par value Authorized 800,000,000 shares; issued 235,538,000 in 2003 and 160,461,000 in 2002	24	16
Additional paid-in capital	8,878	5,178
Retained earnings (accumulated deficit)	688	(84)
Accumulated other comprehensive income (loss)	249	(267)
Other	(1)	(3)
Treasury stock at cost: 3,700,000 shares in 2003 and 3,704,000 shares in 2002	(187)	(188)

Total stockholders' equity	<u>9,652</u>	<u>4,653</u>
Total liabilities and stockholders' equity	<u>\$25,611</u>	<u>\$16,225</u>

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
(Unaudited)				
(In millions, except per share amounts)				
Revenues				
Oil sales	\$ 379	\$ 248	\$ 635	\$ 470
Gas sales	1,007	562	1,881	1,028
Natural gas liquids sales	92	72	199	127
Marketing and midstream revenues	335	267	769	427
Total revenues	1,813	1,149	3,484	2,052
Production and operating costs and expenses				
Lease operating expenses	223	162	388	316
Transportation costs	51	38	92	76
Production taxes	51	33	98	55
Marketing and midstream operating costs and expenses	277	222	633	347
Depreciation, depletion and amortization of property and equipment	427	323	723	634
Accretion of asset retirement obligation	9	—	16	—
General and administrative expenses	93	54	142	104
Expenses related to mergers	7	—	7	—
Reduction of carrying value of oil and gas properties	—	651	—	651
Total production and operating costs and expenses	1,138	1,483	2,099	2,183
Earnings (loss) from operations	675	(334)	1,385	(131)
Other income (expenses)				
Interest expense	(130)	(148)	(260)	(272)
Dividends on subsidiary's preferred stock	(1)	—	(1)	—
Effects of changes in foreign currency exchange rates	29	18	51	17
Change in fair value of financial instruments	(1)	24	9	7
Other income	17	6	25	21
Net other expenses	(86)	(100)	(176)	(227)
Earnings (loss) from continuing operations before income tax expense and cumulative effect of change in accounting principle	589	(434)	1,209	(358)
Income tax expense (benefit)				
Current	89	77	124	86
Deferred	144	(305)	309	(296)
Total income tax expense (benefit)	233	(228)	433	(210)
Earnings (loss) from continuing operations before cumulative effect of change in accounting principle	356	(206)	776	(148)
Discontinued operations				
Results of discontinued operations before income taxes	—	104	—	112
Total income tax expense	—	2	—	6
Net results of discontinued operations	—	102	—	106
Earnings (loss) before cumulative effect of change in accounting principle	356	(104)	776	(42)
Cumulative effect of change in accounting principle, net of income tax expense of \$10 million	—	—	16	—
Net earnings (loss)	356	(104)	792	(42)
Preferred stock dividends	3	3	5	5
Net earnings (loss) applicable to common stockholders	\$ 353	\$ (107)	\$ 787	\$ (47)

Basic earnings (loss) per share:				
Earnings (loss) from continuing operations	\$ 1.67	\$(1.33)	\$ 4.18	\$(1.01)
Net results of discontinued operations	—	0.65	—	0.70
Cumulative effect of change in accounting principle	—	—	0.09	—
Net earnings (loss) applicable to common stockholders	\$ 1.67	\$(0.68)	\$ 4.27	\$(0.31)
Diluted earnings (loss) per share:				
Earnings (loss) from continuing operations	\$ 1.62	\$(1.33)	\$ 4.03	\$(1.01)
Net results of discontinued operations	—	0.65	—	0.70
Cumulative effect of change in accounting principle	—	—	0.08	—
Net earnings (loss) applicable to common stockholders	\$ 1.62	\$(0.68)	\$ 4.11	\$(0.31)
Weighted average common shares outstanding — basic	212	157	184	153
Weighted average common shares outstanding — diluted	221	163	193	159

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30,	
	2003	2002
	(Unaudited) (In millions)	
Cash flows from operating activities		
Earnings (loss) from continuing operations	\$ 776	\$ (148)
Adjustments to reconcile earnings (loss) from continuing operations to net cash provided by operating activities:		
Depreciation, depletion and amortization of property and equipment	723	634
Accretion of asset retirement obligation	16	—
Accretion of discounts on long-term debt, net	12	16
Reduction of carrying value of oil and gas properties	—	651
Effects of changes in foreign currency exchange rates	(51)	(17)
Change in fair value of derivative instruments	(9)	(7)
Deferred income tax expense (benefit)	309	(296)
Operating cash flows of discontinued operations	—	33
Gain on sale of assets	(2)	(2)
Other	(16)	(10)
Changes in assets and liabilities, net of acquisitions of businesses:		
(Increase) decrease in:		
Accounts receivable	(194)	(33)
Inventories	(7)	14
Investments and other current assets	(9)	(25)
Increase (decrease) in:		
Accounts payable	44	(66)
Income taxes payable	119	142
Accrued interest and expenses	87	40
Deferred revenue	(14)	(33)
Long-term other liabilities	(18)	(5)
Net cash provided by operating activities	<u>1,766</u>	<u>888</u>
Cash flows from investing activities		
Proceeds from sale of property and equipment	31	1,036
Capital expenditures, including acquisitions of businesses	(1,100)	(2,563)
Discontinued operations	—	(15)
Other	12	—
Net cash used in investing activities	<u>(1,057)</u>	<u>(1,542)</u>
Cash flows from financing activities		
Proceeds from borrowings of long-term debt, net of issuance costs	50	4,730
Principal payments on long-term debt	(380)	(3,840)
Issuance of common stock, net of issuance costs	38	18
Dividends paid on common stock	(16)	(16)
Dividends paid on preferred stock	(5)	(5)
Net cash (used in) provided by financing activities	<u>(313)</u>	<u>887</u>
Effect of exchange rate changes on cash	36	(1)
Net increase in cash and cash equivalents	432	232
Cash and cash equivalents at beginning of period	292	183
Cash and cash equivalents at end of period	<u>\$ 724</u>	<u>\$ 415</u>

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Summary of Significant Accounting Policies

The accompanying consolidated financial statements and notes thereto of Devon Energy Corporation (“Devon”) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America 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 2002 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 June 30, 2003, and the results of their operations and their cash flows for the three-month and six-month periods ended June 30, 2003 and 2002. Certain of the 2002 amounts in the accompanying consolidated financial statements have been reclassified to conform to the 2003 presentation.

2. Business Combinations and Pro Forma Information

Ocean Energy Inc.

On April 25, 2003, Devon completed its merger with Ocean Energy Inc. (“Ocean”). In the transaction, Devon issued 0.414 shares of its common stock for each outstanding share of Ocean common stock (or a total of approximately 74 million shares). Also, Devon assumed approximately \$1.8 billion of debt (current and long-term) from Ocean.

Devon acquired Ocean for the significant development projects and exploration prospects in both the deepwater Gulf of Mexico and international, and the expanded exposure to both the Gulf of Mexico and international markets.

The calculation of the purchase price and the preliminary allocation to assets and liabilities as of April 25, 2003, are shown below. The purchase price allocation is preliminary because certain items such as the determination of the final tax bases and the fair value of certain assets and liabilities as of the acquisition date have not been completed.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	(In millions, except share price)
Calculation and preliminary allocation of purchase price:	
Shares of Devon common stock issued to Ocean stockholders	74
Average Devon stock price	\$48.05
	<hr/>
Fair value of common stock issued	\$3,546
Plus estimated merger costs incurred	100
Plus fair value of Ocean convertible preferred stock assumed by a Devon subsidiary	64
Plus fair value of Ocean employee stock options assumed by Devon	124
	<hr/>
Total purchase price	3,834
Plus fair value of liabilities assumed by Devon:	
Current liabilities	638
Long-term debt	1,436
Deferred revenue	97
Asset retirement obligation, long-term	121
Other noncurrent liabilities	72
Deferred income taxes	829
	<hr/>
Total purchase price plus liabilities assumed	\$7,027
	<hr/>
Fair value of assets acquired by Devon:	
Current assets	268
Proved oil and gas properties	4,131
Unproved oil and gas properties	1,060
Other property and equipment	79
Other noncurrent assets	38
Goodwill (none deductible for income taxes)	1,451
	<hr/>
Total fair value of assets acquired	\$7,027
	<hr/>

Pro Forma Information

Set forth in the following table is certain unaudited pro forma financial information for the six-month periods ended June 30, 2003 and 2002. The information for the six-month periods ended June 30, 2003 and 2002, has been prepared assuming the Ocean merger and the January 24, 2002, Mitchell Energy & Development Corp. merger were consummated on January 1, 2002. All pro forma information is based on estimates and assumptions deemed appropriate by Devon. The pro forma information is presented for illustrative purposes only. If the transactions had occurred in the past, Devon's operating results might have been different from those presented in the following table. The pro forma information should not be relied upon as an indication of the operating results that Devon would have achieved if the transactions had occurred on January 1, 2002. The pro forma information also should not be used as an indication of the future results that Devon will achieve after the transactions.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

	Pro Forma Information Six Months Ended June 30,	
	2003	2002
	(In millions, except per share amounts and production volumes)	
Revenues		
Oil sales	\$ 886	\$ 755
Gas sales	2,139	1,263
Natural gas liquids sales	207	144
Marketing and midstream revenues	769	499
	<u>4,001</u>	<u>2,661</u>
Production and operating costs and expenses		
Lease operating expenses	465	420
Transportation costs	104	92
Production taxes	112	72
Marketing and midstream operating costs and expenses	633	414
Depreciation, depletion and amortization of property and equipment	915	976
Accretion of asset retirement obligation	18	—
General and administrative expenses	175	159
Reduction of carrying value of oil and gas properties	—	651
	<u>2,422</u>	<u>2,784</u>
Earnings (loss) from operations	1,579	(123)
Other income (expenses)		
Interest expense	(273)	(290)
Dividends on subsidiary's preferred stock	(1)	(2)
Effects of changes in foreign currency exchange rates	51	18
Change in fair value of financial instruments	9	7
Other income	26	20
	<u>(188)</u>	<u>(247)</u>
Earnings (loss) from continuing operations before income tax expense and cumulative effect of change in accounting principle	1,391	(370)
Income tax expense (benefit)		
Current	149	100
Deferred	359	(304)
	<u>508</u>	<u>(204)</u>
Earnings (loss) from continuing operations before cumulative effect of change in accounting principle	883	(166)
Discontinued operations		
Results of discontinued operations before income taxes	—	112
Total income tax expense	—	6
	<u>—</u>	<u>106</u>
Earnings (loss) before cumulative effect of change in accounting principle	883	(60)
Cumulative effect of change in accounting principle, net of income tax expense of \$19 million	29	—
	<u>912</u>	<u>(60)</u>
Net earnings (loss)	912	(60)
Preferred stock dividends	5	5
	<u>\$ 907</u>	<u>\$ (65)</u>

DEVON ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Basic earnings (loss) per share:		
Earnings (loss) from continuing operations	\$3.81	\$(0.75)
Net results of discontinued operations	—	0.47
Cumulative effect of change in accounting principle	0.12	—
	—	—
Net earnings (loss) applicable to common stockholders	\$3.93	\$(0.28)
	—	—
Diluted earnings (loss) per share:		
Earnings (loss) from continuing operations	\$3.69	\$(0.75)
Net results of discontinued operations	—	0.47
Cumulative effect of change in accounting principle	0.12	—
	—	—
Net earnings (loss) applicable to common stockholders	\$3.81	\$(0.28)
	—	—
Weighted average common shares outstanding — basic	231	225
	—	—
Weighted average common shares outstanding — diluted	239	235
	—	—
Production volumes:		
Oil (MMBbls)	34	37
Gas (Bcf)	447	476
NGLs (MMBbls)	11	11
MMBoe	119	128

3. Debt

Amendment of Existing Credit Facilities

Devon has \$1 billion of unsecured long-term credit facilities (the “Credit Facilities”). The Credit Facilities include a U.S. facility of \$725 million (the “U.S. Facility”) and a Canadian facility of \$275 million (the “Canadian Facility”). The \$725 million U.S. Facility consists of a Tranche A facility of \$200 million and a Tranche B facility of \$525 million.

The Tranche A facility matures on October 15, 2004. Devon may borrow funds under the Tranche B facility until June 2, 2004 (the “Tranche B Revolving Period”). Devon may request that the Tranche B Revolving Period be extended an additional 364 days by notifying the agent bank of such request between 30 and 60 days prior to the end of the Tranche B Revolving Period. On June 2, 2004, at the end of the Tranche B Revolving Period, Devon may convert the then outstanding balance under the Tranche B facility to a one-year term loan by paying the Agent a fee of 25 basis points. The applicable borrowing rate would be at LIBOR plus 112.5 basis points. On June 30, 2003, there were no borrowings outstanding under the \$725 million U.S. Facility. The available capacity under the U.S. Facility as of July 31, 2003, net of outstanding letters of credit, was approximately \$591 million.

Devon may borrow funds under the \$275 million Canadian Facility until June 2, 2004 (the “Canadian Facility Revolving Period”). Devon may request that the Canadian Facility Revolving Period be extended an additional 364 days by notifying the agent bank of such request between 30 and 60 days prior to the end of the Canadian Facility Revolving Period. Debt outstanding as of the end of the Canadian Facility Revolving Period is payable in semiannual installments of 2.5% each for the following five years, with the final installment due five years and one day following the end of the Canadian Facility Revolving Period. On June 30, 2003, there were no borrowings under the \$275 million Canadian facility. The available capacity under the Canadian Facility as of July 31, 2003, net of outstanding letters of credit, was approximately \$207 million.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Under the terms of the Credit Facilities, Devon has the right to reallocate up to \$100 million of the unused Tranche B facility maximum credit amount to the Canadian Facility. Conversely, Devon also has the right to reallocate up to \$100 million of unused Canadian Facility maximum credit amount to the Tranche B Facility.

Amounts borrowed under the Credit Facilities bear interest at various fixed rate options that Devon may elect for periods up to six months. Such rates are generally less than the prime rate. Devon may also elect to borrow at the prime rate. The Credit Facilities provide for an annual facility fee of \$1.4 million that is payable quarterly in arrears.

The agreements governing the Credit Facilities contain certain covenants and restrictions, including a maximum allowed debt-to-capitalization ratio of 65% as defined in the agreements. As of June 30, 2003, Devon's debt-to-capitalization ratio as defined in the agreements was 44.4%.

Debt Securities

On August 4, 2003, Devon issued \$500 million of 2.75% notes due August 1, 2006. The debt securities are unsecured obligations of Devon and are redeemable at the option of Devon, in whole or in part, at any time at a redemption price equal to the greater of 100% of the principal amount of the notes outstanding plus accrued and unpaid interest to the redemption date or the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) from the redemption date to the maturity date plus accrued and unpaid interest to the redemption date. The proceeds from the issuance of these debt securities, net of discounts and issuance costs, of \$498 million were used to repay amounts outstanding under the \$3 billion senior unsecured term loan credit facility.

In conjunction with the notes offering, Devon also entered into a \$500 million interest rate swap. The swap will effectively convert Devon's interest rate on the \$500 million of newly issued debt from the fixed rate of 2.75% to a floating rate of LIBOR less 26.8 basis points.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Ocean Debt

In connection with the Ocean merger, Devon assumed \$1.8 billion of debt. A summary of this debt is as follows:

	Fair Value of Debt Assumed
	(In millions)
Revolving credit line	\$ 160
Note payable	50
Senior notes and senior subordinated notes:	
7.875% due August 2003 (principal of \$100 million)	102
7.625% due July 2005 (principal of \$125 million)	139
7.500% due September 2007 (principal of \$150 million)	169
4.375% due October 2007 (principal of \$400 million)	410
8.375% due July 2008 (principal of \$200 million)	208
7.250% due September 2011 (principal of \$350 million)	406
8.250% due July 2018 (principal of \$125 million)	147
Other	6
	1,797
Less amount classified as current	361
	\$1,436

Change of control provisions required the outstanding borrowings under the credit facility and note payable to be fully paid immediately. Additionally, Devon was required to extend purchase offers for certain senior notes and the senior subordinated notes. As a result of these purchase offers, which expired on June 13, 2003, Devon paid \$118 million for the aggregate principal amount tendered. The purchase price for each offer was 101 percent of the principal amount of the notes tendered plus accrued and unpaid interest to and including the purchase date. All notes that were not tendered remain outstanding except as described below.

Included in the \$118 million of debt retired pursuant to the purchase offer were \$13 million of the 8.375% notes and \$57 million of the 7.875% notes. The remaining \$195 million of 8.375% notes were called and redeemed on July 1, 2003. Additionally, the remaining \$43 million of 7.875% senior notes were paid August 1, 2003, when they were due.

4. Derivative Instruments and Hedging Activities

Devon has periodically entered into oil and gas financial instruments and foreign exchange rate swaps to manage its exposure to oil and gas price volatility. The foreign exchange rate swaps mitigate the effect of volatility in the Canadian-to-U.S. dollar exchange rate on certain Canadian gas revenues that are based on U.S. dollar prices. Devon has also entered into interest rate swaps to manage its exposure to interest rate volatility. The interest rate swaps mitigate either the effects on interest expense for variable-rate debt instruments, or the debt fair values for fixed-rate debt. It is Devon's policy to only enter into derivative contracts with investment grade rated counterparties deemed by management to be competent and competitive market makers. The oil and gas reference prices upon which the price hedging instruments are based reflect

DEVON ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

various market indices that have a high degree of historical correlation with actual prices received by Devon.

As of June 30, 2003, \$251 million of net deferred losses on derivative instruments in “accumulated other comprehensive income (loss)” are expected to be reclassified to earnings from operations during the next 12 months assuming no change in commodity prices from the June 30, 2003 level. The transactions and events expected to occur over the next 12 months that will necessitate reclassifying these derivatives’ losses to earnings from operations are primarily the production and sale of the hedged oil and gas quantities. The maximum term over which Devon is hedging exposures to the variability of cash flows for commodity price risk is 30 months.

Devon recorded in its statements of operations a loss of \$1 million and a gain of \$24 million in the second quarter of 2003 and 2002, respectively, and gains of \$9 million and \$7 million in the six-month periods ended June 30, 2003 and 2002, respectively, for the change in fair value of derivative instruments that do not qualify for hedge accounting treatment, as well as the ineffectiveness of derivatives that do qualify as hedges.

5. Asset Retirement Obligations

Effective January 1, 2003, Devon adopted Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* (SFAS No. 143) using a cumulative effect approach to recognize transition amounts for asset retirement obligations, asset retirement costs and accumulated depreciation. SFAS No. 143 requires liability recognition for retirement obligations associated with tangible long-lived assets, such as producing well sites, offshore production platforms, and natural gas processing plants. The obligations included within the scope of SFAS No. 143 are those for which a company faces a legal obligation for settlement. The initial measurement of the asset retirement obligation is fair value, defined as “the price that an entity would have to pay a willing third party of comparable credit standing to assume the liability in a current transaction other than in a forced or liquidation sale.”

The asset retirement cost equal to the fair value of the retirement obligation is capitalized as part of the cost of the related long-lived asset and allocated to expense using a systematic and rational method.

Devon previously estimated costs of dismantlement, removal, site reclamation, and other similar activities in the total costs that are subject to depreciation, depletion, and amortization. However, Devon did not record a separate asset or liability for such amounts. Upon adoption, Devon recorded a cumulative-effect-type adjustment for an increase to net earnings of \$16 million net of deferred taxes of \$10 million. Additionally, Devon established an asset retirement obligation of \$453 million, an increase to property and equipment of \$400 million and a decrease in accumulated DD&A of \$79 million.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
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Following is a reconciliation of the asset retirement obligation from December 31, 2002 to June 30, 2003.

	(In millions)
Asset retirement obligation as of December 31, 2002	\$ —
Cumulative effect of change in accounting principle	453
Asset retirement obligation assumed from Ocean merger	134
Liabilities incurred	25
Liabilities settled	(13)
Accretion expense	16
Foreign currency translation adjustment	30
	<hr/>
Asset retirement obligation as of June 30, 2003	645
Less current portion	33
	<hr/>
Asset retirement obligation, long-term	\$612
	<hr/>

Following is a reconciliation of reported net income and the related earnings per share amounts assuming the provisions of SFAS No. 143 had been adopted as of January 1, 2000.

	For the Year Ended December 31,		
	2002	2001	2000
	<hr/>		
	(In millions, except per share amounts)		
Net earnings applicable to common stockholders, as reported	\$ 94	\$ 93	\$ 720
Net change in depreciation, depletion and amortization of property and equipment due to adoption of SFAS No. 143	16	30	26
Less accretion of asset retirement obligation	(25)	(15)	(10)
Deferred taxes	4	(6)	(6)
	<hr/>	<hr/>	<hr/>
Effect on net earnings	(5)	9	10
	<hr/>	<hr/>	<hr/>
Net earnings applicable to common stockholders, as adjusted	\$ 89	\$ 102	\$ 730
	<hr/>	<hr/>	<hr/>
Basic earnings per share:			
Net earnings applicable to common stockholders, as reported	\$ 0.61	\$0.73	\$5.66
Effect on net earnings	(0.03)	0.07	0.08
	<hr/>	<hr/>	<hr/>
Net earnings applicable to common stockholders, as adjusted	\$ 0.58	\$0.80	\$5.74
	<hr/>	<hr/>	<hr/>
Diluted earnings per share:			
Net earnings applicable to common stockholders, as reported	\$ 0.61	\$0.72	\$5.50
Effect on net earnings	(0.03)	0.07	0.08
	<hr/>	<hr/>	<hr/>
Net earnings applicable to common stockholders, as adjusted	\$ 0.58	\$0.79	\$5.58
	<hr/>	<hr/>	<hr/>

DEVON ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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	For Three Months Ended June 30,	
	2003	2002
	(In millions, except (per share amounts))	
Net earnings (loss) applicable to common stockholders, as reported	\$ 353	\$ (107)
Net change in depreciation, depletion and amortization of property and equipment due to adoption of SFAS No. 143	—	4
Less accretion of asset retirement obligation	—	(7)
Deferred taxes	—	1
Effect on net earnings	—	(2)
Net earnings (loss) applicable to common stockholders, as adjusted	\$ 353	\$ (109)
Basic earnings (loss) per share:		
Net earnings (loss) applicable to common stockholders, as reported	\$1.67	\$(0.68)
Effect on net earnings	—	(0.01)
Net earnings (loss) applicable to common stockholders, as adjusted	\$1.67	\$(0.69)
Diluted earnings (loss) per share:		
Net earnings (loss) applicable to common stockholders, as reported	\$1.62	\$(0.68)
Effect on net earnings	—	(0.01)
Net earnings (loss) applicable to common stockholders, as adjusted	\$1.62	\$(0.69)
	For Six Months Ended June 30,	
	2003	2002
	(In millions, except per share amounts)	
Net earnings (loss) applicable to common stockholders, as reported	\$ 787	\$ (47)
Less cumulative effect of change in accounting principle	(16)	—
Net change in depreciation, depletion and amortization of property and equipment due to adoption of SFAS No. 143	—	8
Less accretion of asset retirement obligation	—	(11)
Deferred taxes	—	1
Effect on net earnings	(16)	(2)
Net earnings (loss) applicable to common stockholders, as adjusted	\$ 771	\$ (49)
Basic earnings (loss) per share:		
Net earnings (loss) applicable to common stockholders, as reported	\$ 4.27	\$(0.31)
Effect on net earnings	(0.09)	(0.01)
Net earnings (loss) applicable to common stockholders, as adjusted	\$ 4.18	\$(0.32)
Diluted earnings (loss) per share:		
Net earnings (loss) applicable to common stockholders, as reported	\$ 4.11	\$(0.31)
Effect on net earnings	(0.08)	(0.01)
Net earnings (loss) applicable to common stockholders, as adjusted	\$ 4.03	\$(0.32)



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Following is a summary of the asset retirement obligation assuming the provisions of SFAS No. 143 had been adopted as of January 1, 2000.

	(In millions)
Asset retirement obligation as of:	
January 1, 2000	\$163
December 31, 2000	244
December 31, 2001	397
December 31, 2002	453
June 30, 2003	645

6. Earnings Per Share

The following table reconciles the net earnings and common shares outstanding used in the calculations of basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2003. The diluted loss per share calculations for the three-month and six-month periods ended June 30, 2002 produced results that are anti-dilutive. (The diluted calculation for the three months ended June 30, 2002 reduced the net loss by \$2 million and increased the common shares outstanding by 6 million shares. The diluted calculation for the six months ended June 30, 2002 reduced the net loss by \$5 million and increased the common shares outstanding by 6 million shares.) Therefore, the reported diluted loss per share amounts for the three-month and six-month periods ended June 30, 2002 in the accompanying consolidated statements of operations are the same as the basic loss per share amounts.

	Net Earnings Applicable to Common Stockholders	Common Shares Outstanding	Net Earnings Per Share
(In millions)			
Three Months Ended June 30, 2003:			
Basic earnings per share	\$353	212	\$1.67
Dilutive effect of:			
Potential common shares issuable upon conversion of senior convertible debentures (the increase in net earnings is net of income tax expense of \$1 million)	2	4	
Potential common shares issuable upon conversion of preferred stock of subsidiary	1	1	
Potential common shares issuable upon the exercise of outstanding stock options	—	4	
Diluted earnings per share	\$356	221	\$1.62

DEVON ENERGY CORPORATION AND SUBSIDIARIES
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	Net Earnings Applicable to Common Stockholders	Common Shares Outstanding	Net Earnings Per Share
	(In millions)		
Six Months Ended June 30, 2003:			
Basic earnings per share	\$787	184	\$4.27
Dilutive effect of:			
Potential common shares issuable upon conversion of senior convertible debentures (the increase in net earnings is net of income tax expense of \$3 million)	5	4	
Potential common shares issuable upon conversion of preferred stock of subsidiary	1	1	
Potential common shares issuable upon the exercise of outstanding stock options	—	4	
Diluted earnings per share	\$793	193	\$4.11

All options to purchase Devon common stock were excluded from the diluted earnings per share calculations for the 2002 periods because of the anti-dilutive effect of such options.

Certain options to purchase shares of Devon's common stock have been excluded from the 2003 dilution calculations because the options' exercise price exceeded the average market price of Devon's common stock during the applicable period. The following information relates to these options.

	For the Three Months Ended June 30, 2003	For the Six Months Ended June 30, 2003
Options excluded from dilution calculation (in millions)	3	5
Range of exercise prices	\$50.85 - \$89.66	\$49.04 - \$89.66
Weighted average exercise price	\$ 58.05	\$ 55.43

The excluded options for 2003 expire between July 1, 2003 and December 2, 2012.

Devon applies the intrinsic value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations, in accounting for its fixed plan stock options. As such, compensation expense would be recorded on the date of grant only if the current market price of the underlying stock exceeded the exercise price. SFAS No. 123, *Accounting for Stock-Based Compensation*, established accounting and disclosure requirements using a fair value-based method of accounting for stock-based employee compensation plans. As allowed by SFAS No. 123, Devon has elected to continue to apply the intrinsic value-based method of accounting described above, and has adopted the disclosure requirements of SFAS No. 123.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
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Had Devon elected the fair value provisions of SFAS No. 123 and recognized compensation expense over the vesting period based on the fair value of the stock options granted as of their grant date, Devon's second quarter and first six months 2003 and 2002 pro forma net earnings and pro forma net earnings per share would have differed from the amounts actually reported as shown in the following table.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
(In millions, except per share amounts)				
Net earnings (loss) available to common stockholders, as reported	\$ 353	\$ (107)	\$ 787	\$ (47)
Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(5)	(3)	(10)	(6)
Net earnings (loss) available to common stockholders, pro forma	\$ 348	\$ (110)	\$ 777	\$ (53)
Net earnings (loss) per share available to common stockholders:				
As reported:				
Basic	\$1.67	\$(0.68)	\$4.27	\$(0.31)
Diluted	\$1.62	\$(0.68)	\$4.11	\$(0.31)
Pro forma:				
Basic	\$1.65	\$(0.70)	\$4.22	\$(0.35)
Diluted	\$1.60	\$(0.70)	\$4.06	\$(0.35)

7. Supplemental Cash Flow Information

Cash payments (refunds) for interest and income taxes in the first six months of 2003 and 2002 are presented below:

	Six Months Ended June 30,	
	2003	2002
(In millions)		
Interest paid	\$249	\$323
Income taxes paid (refunded)	\$ 15	\$ (86)

The 2003 Ocean merger and the 2002 Mitchell merger involved non-cash consideration as presented below:

	Ocean Merger	Mitchell Merger
	(In millions)	
Value of common stock issued	\$3,546	\$1,512
Convertible preferred stock assumed	64	—
Employee stock options assumed	124	27
Liabilities assumed	2,364	824
Deferred tax liability created	829	796
Assets acquired with non-cash consideration	\$6,927	\$3,159



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8. Segment Information

Devon manages its business by country. As such, Devon identifies its reporting segments based on geographic areas. Devon has three reporting segments: its operations in the U.S., its operations in Canada and its international operations outside of North America. Substantially all of these segments' operations involve oil and gas producing and marketing and midstream activities. Following is certain financial information regarding Devon's segments. The revenues reported are all from external customers.

	U.S.	Canada	Inter- national	Total
	(In millions)			
As of June 30, 2003:				
Current assets	\$ 1,219	\$ 401	\$ 219	\$ 1,839
Property and equipment, net of accumulated depreciation, depletion and amortization	10,421	4,486	2,685	17,592
Investment in ChevronTexaco Corporation common stock	512	—	—	512
Goodwill	3,017	2,239	68	5,324
Other assets	297	29	18	344
	<u>\$15,466</u>	<u>\$7,155</u>	<u>\$2,990</u>	<u>\$25,611</u>
Current liabilities	1,676	392	142	2,210
Other liabilities	389	4	2	395
Asset retirement obligation, long-term	376	217	19	612
Debentures exchangeable into shares of ChevronTexaco Corporation common stock	669	—	—	669
Other long-term debt	3,773	4,057	—	7,830
Preferred stock of a subsidiary	55	—	—	55
Deferred revenue	88	—	—	88
Fair value of financial instruments	17	7	—	24
Deferred income taxes	2,084	1,523	469	4,076
Stockholders' equity	6,339	955	2,358	9,652
	<u>\$15,466</u>	<u>\$7,155</u>	<u>\$2,990</u>	<u>\$25,611</u>
Total liabilities and stockholders' equity	<u>\$15,466</u>	<u>\$7,155</u>	<u>\$2,990</u>	<u>\$25,611</u>

DEVON ENERGY CORPORATION AND SUBSIDIARIES
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	U.S.	Canada	Inter- national	Total
	(In millions)			
Three Months Ended June 30, 2003:				
Revenues				
Oil sales	\$ 219	\$ 77	\$83	\$ 379
Gas sales	692	311	4	1,007
Natural gas liquids sales	64	27	1	92
Marketing and midstream revenues	331	4	—	335
	<u>1,306</u>	<u>419</u>	<u>88</u>	<u>1,813</u>
Production and operating costs and expenses				
Lease operating expenses	125	79	19	223
Transportation costs	34	16	1	51
Production taxes	49	—	2	51
Marketing and midstream operating costs and expenses	275	2	—	277
Depreciation, depletion and amortization of property and equipment	289	95	43	427
Accretion of asset retirement obligation	6	3	—	9
General and administrative expenses	77	11	5	93
Expenses related to mergers	7	—	—	7
	<u>862</u>	<u>206</u>	<u>70</u>	<u>1,138</u>
Earnings from operations	444	213	18	675
Other income (expenses)				
Interest expense	(54)	(72)	(4)	(130)
Dividends on subsidiary's preferred stock	(1)	—	—	(1)
Effects of changes in foreign currency exchange rates	—	28	1	29
Change in fair value of financial instruments	3	(4)	—	(1)
Other income	12	3	2	17
	<u>(40)</u>	<u>(45)</u>	<u>(1)</u>	<u>(86)</u>
Earnings from continuing operations before income tax expense	404	168	17	589
Income tax expense				
Current	80	—	9	89
Deferred	81	63	—	144
	<u>161</u>	<u>63</u>	<u>9</u>	<u>233</u>
Net earnings	243	105	8	356
Preferred stock dividends	3	—	—	3
	<u>240</u>	<u>105</u>	<u>8</u>	<u>353</u>
Net earnings applicable to common stockholders	\$ 240	\$105	\$ 8	\$ 353
Capital expenditures	\$ 427	\$108	\$53	\$ 588

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	U.S.	Canada	Inter national	Total
	(In millions)			
Three Months Ended June 30, 2002:				
Revenues				
Oil sales	\$148	\$ 90	\$ 10	\$ 248
Gas sales	377	185	—	562
Natural gas liquids sales	51	21	—	72
Marketing and midstream revenues	262	5	—	267
	<u>838</u>	<u>301</u>	<u>10</u>	<u>1,149</u>
Production and operating costs and expenses				
Lease operating expenses	96	62	4	162
Transportation costs	26	12	—	38
Production taxes	31	2	—	33
Marketing and midstream operating costs and expenses	218	4	—	222
Depreciation, depletion and amortization of property and equipment	220	102	1	323
General and administrative expenses	42	9	3	54
Reduction of carrying value of oil and gas properties	—	651	—	651
	<u>633</u>	<u>842</u>	<u>8</u>	<u>1,483</u>
Earnings (loss) from operations	205	(541)	2	(334)
Other income (expenses)				
Interest expense	(73)	(75)	—	(148)
Effects of changes in foreign currency exchange rates	—	17	1	18
Change in fair value of financial instruments	25	(1)	—	24
Other income	6	(1)	1	6
	<u>(42)</u>	<u>(60)</u>	<u>2</u>	<u>(100)</u>
Earnings (loss) from continuing operations before income tax expense	163	(601)	4	(434)
Income tax expense (benefit)				
Current	68	8	1	77
Deferred	(47)	(259)	1	(305)
	<u>21</u>	<u>(251)</u>	<u>2</u>	<u>(228)</u>
Earnings (loss) from continuing operations	142	(350)	2	(206)
Discontinued operations				
Results of discontinued operations before income taxes	—	—	104	104
Total income tax expense	—	—	2	2
	<u>—</u>	<u>—</u>	<u>102</u>	<u>102</u>
Net results of discontinued operations	—	—	102	102
Net earnings (loss)	142	(350)	104	(104)
Preferred stock dividends	3	—	—	3
	<u>\$139</u>	<u>\$(350)</u>	<u>\$104</u>	<u>\$ (107)</u>
Capital expenditures	\$302	\$ 56	\$ 27	\$ 385

DEVON ENERGY CORPORATION AND SUBSIDIARIES
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	U.S.	Canada	Inter national	Total
	(In millions)			
Six Months Ended June 30, 2003:				
Revenues				
Oil sales	\$ 382	\$ 161	\$92	\$ 635
Gas sales	1,249	628	4	1,881
Natural gas liquids sales	138	60	1	199
Marketing and midstream revenues	761	8	—	769
	<u>2,530</u>	<u>857</u>	<u>97</u>	<u>3,484</u>
Production and operating costs and expenses				
Lease operating expenses	215	152	21	388
Transportation costs	60	31	1	92
Production taxes	95	1	2	98
Marketing and midstream operating costs and expenses	629	4	—	633
Depreciation, depletion and amortization of property and equipment	502	176	45	723
Accretion of asset retirement obligation	10	6	—	16
General and administrative expenses	114	21	7	142
Expenses related to mergers	7	—	—	7
	<u>1,632</u>	<u>391</u>	<u>76</u>	<u>2,099</u>
Earnings from operations	898	466	21	1,385
Other income (expenses)				
Interest expense	(110)	(144)	(6)	(260)
Dividends on subsidiary's preferred stock	(1)	—	—	(1)
Effects of changes in foreign currency exchange rates	—	50	1	51
Change in fair value of financial instruments	11	(2)	—	9
Other income	14	5	6	25
	<u>(86)</u>	<u>(91)</u>	<u>1</u>	<u>(176)</u>
Earnings from continuing operations before income tax expense and cumulative effect of change in accounting principle	812	375	22	1,209
Income tax expense				
Current	103	11	10	124
Deferred	155	153	1	309
	<u>258</u>	<u>164</u>	<u>11</u>	<u>433</u>
Earnings from continuing operations before cumulative effect of change in accounting principle	554	211	11	776
Cumulative effect of change in accounting principle	11	5	—	16
	<u>565</u>	<u>216</u>	<u>11</u>	<u>792</u>
Net earnings	565	216	11	792
Preferred stock dividends	5	—	—	5
	<u>560</u>	<u>216</u>	<u>11</u>	<u>787</u>
Net earnings applicable to common stockholders	\$ 560	\$ 216	\$11	\$ 787
Capital expenditures	\$ 669	\$ 348	\$83	\$1,100

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	U.S.	Canada	Inter national	Total
	(In millions)			
Six Months Ended June 30, 2002:				
Revenues				
Oil sales	\$ 278	\$ 172	\$ 20	\$ 470
Gas sales	680	348	—	1,028
Natural gas liquids sales	86	41	—	127
Marketing and midstream revenues	420	7	—	427
	<u>1,464</u>	<u>568</u>	<u>20</u>	<u>2,052</u>
Production and operating costs and expenses				
Lease operating expenses	187	123	6	316
Transportation costs	48	28	—	76
Production taxes	52	3	—	55
Marketing and midstream operating costs and expenses	343	4	—	347
Depreciation, depletion and amortization of property and equipment	424	208	2	634
General and administrative expenses	77	18	9	104
Reduction of carrying value of oil and gas properties	—	651	—	651
	<u>1,131</u>	<u>1,035</u>	<u>17</u>	<u>2,183</u>
Earnings (loss) from operations	333	(467)	3	(131)
Other income (expenses)				
Interest expense	(122)	(148)	(2)	(272)
Effects of changes in foreign currency exchange rates	—	17	—	17
Change in fair value of financial instruments	5	2	—	7
Other income	15	2	4	21
	<u>(102)</u>	<u>(127)</u>	<u>2</u>	<u>(227)</u>
Earnings (loss) from continuing operations before income tax expense	231	(594)	5	(358)
Income tax expense (benefit)				
Current	74	9	3	86
Deferred	(42)	(256)	2	(296)
	<u>32</u>	<u>(247)</u>	<u>5</u>	<u>(210)</u>
Earnings (loss) from continuing operations	199	(347)	—	(148)
Discontinued operations				
Results of discontinued operations before income taxes	—	—	112	112
Total income tax expense	—	—	6	6
	<u>—</u>	<u>—</u>	<u>106</u>	<u>106</u>
Net results of discontinued operations	—	—	106	106
Net earnings (loss)	199	(347)	106	(42)
Preferred stock dividends	5	—	—	5
	<u>194</u>	<u>(347)</u>	<u>106</u>	<u>(47)</u>
Net earnings (loss) applicable to common stockholders	\$ 194	\$ (347)	\$ 106	\$ (47)
Capital expenditures, including acquisitions of businesses	\$2,224	\$ 295	\$ 44	\$2,563

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9. Commitments and Contingencies

Devon is party to various legal actions arising in the normal course of business. Matters that are probable of unfavorable outcome to Devon and which can be reasonably estimated are accrued. Such accruals are based on information known about the matters, Devon's estimates of the outcomes of such matters and its experience in contesting, litigating and settling similar matters. None of the actions are believed by management to involve future amounts that would be material to Devon's financial position or results of operations after consideration of recorded accruals although actual amounts could differ from management's estimate.

Environmental Matters

Devon is subject to certain laws and regulations relating to environmental remediation activities associated with past operations, such as the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") and similar state statutes. In response to liabilities associated with these activities, accruals have been established when reasonable estimates are possible. Such accruals primarily include estimated costs associated with remediation. Devon has not used discounting in determining its accrued liabilities for environmental remediation, and no material claims for possible recovery from third party insurers or other parties related to environmental costs have been recognized in Devon's consolidated financial statements. Devon adjusts the accruals when new remediation responsibilities are discovered and probable costs become estimable, or when current remediation estimates must be adjusted to reflect new information.

Certain of Devon's subsidiaries acquired in past mergers are involved in matters in which it has been alleged that such subsidiaries are potentially responsible parties ("PRPs") under CERCLA or similar state legislation with respect to various waste disposal areas owned or operated by third parties. As of June 30, 2003, Devon's consolidated balance sheet included \$7 million of non-current accrued liabilities, reflected in "Other liabilities," related to these and other environmental remediation liabilities. Devon does not currently believe there is a reasonable possibility of incurring additional material costs in excess of the current accruals recognized for such environmental remediation activities. With respect to the sites in which Devon subsidiaries are PRPs, Devon's conclusion is based in large part on (i) Devon's participation in consent decrees with both other PRPs and the Environmental Protection Agency, which provide for performing the scope of work required for remediation and contain covenants not to sue as protection to the PRPs, (ii) participation in groups as a *de minimis PRP*, and (iii) the availability of other defenses to liability. As a result, Devon's monetary exposure is not expected to be material.

Royalty Matters

Numerous gas producers and related parties, including Devon, have been named in various lawsuits alleging violation of the federal False Claims Act. The suits allege that the producers and related parties used below-market prices, improper deductions, improper measurement techniques and transactions with affiliates which resulted in underpayment of royalties in connection with natural gas and natural gas liquids produced and sold from federal and Indian owned or controlled lands. The principal suit in which Devon is a defendant is *United States ex rel. Wright v. Chevron USA, Inc. et al.* (the "Wright case"). The suit was originally filed in August 1996 in the United States District Court for the Eastern District of Texas, but was

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consolidated in October 2000 with the other suits for pre-trial proceedings in the United States District Court for the District of Wyoming. On July 10, 2003, the District of Wyoming remanded the *Wright* case back to the Eastern District of Texas to resume proceedings. Devon believes that it has acted reasonably, has legitimate and strong defenses to all allegations in the suit, and has paid royalties in good faith. Devon does not currently believe that it is subject to material exposure in association with this lawsuit and no liability has been recorded in connection therewith.

Devon is a defendant in certain private royalty owner litigation filed in Wyoming regarding deductibility of certain post production costs from royalties payable by Devon. The plaintiffs in these lawsuits propose to expand them into county or state-wide class actions relating specifically to transportation and related costs associated with Devon's Wyoming gas production. A significant portion of such production is, or will be, transported through facilities owned by Thunder Creek Gas Services, L.L.C., of which Devon owns a 75% interest. Devon believes that it has acted reasonably and paid royalties in good faith and in accordance with its obligations under its oil and gas leases and applicable law, and Devon does not believe that it is subject to material exposure in association with this litigation.

Other Matters

Devon is involved in other various routine legal proceedings incidental to its business. However, to Devon's knowledge as of the date of this report, there were no other material pending legal proceedings to which Devon is a party or to which any of its property is subject.

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 six-month periods ended June 30, 2003, compared to the three-month and six-month periods ended June 30, 2002, and in financial condition since December 31, 2002. It is presumed that readers have read or have access to Devon's 2002 Annual Report on Form 10-K which includes disclosures regarding critical accounting policies as part of Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

Net earnings for the second quarter of 2003 were \$356 million, or \$1.62 per share. This compares to a net loss of \$104 million, or \$0.68 per share for the second quarter of 2002. Net earnings for the first half of 2003 were \$792 million, or \$4.11 per share. This compares to a net loss of \$42 million, or \$0.31 per share for the first half of 2002. The increases in second quarter and first half earnings were due to increases in both production and prices of oil, natural gas and NGLs and the fact that 2002 earnings were adversely impacted by a \$371 million after-tax reduction in the carrying value of oil and gas properties.

On April 25, 2003, Devon completed its merger with Ocean Energy Inc. ("Ocean"). In the transaction, Devon issued 0.414 shares of its common stock for each outstanding share of Ocean common stock (or a total of approximately 74 million shares). Also, Devon assumed approximately \$1.8 billion of debt from Ocean. This merger had no effect on Devon's financial condition or results of operations prior to April 25, 2003.

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Results of Operations

Total revenues increased \$664 million, or 58%, in the second quarter of 2003, and \$1.4 billion, or 70%, in the first half of 2003. This was the result of increases in both production and prices of oil, gas and NGLs as well as an increase in marketing and midstream revenues. The increase in production was primarily the result of the April 2003 Ocean merger and the January 2002 Mitchell merger, partially offset by property divestitures which occurred in 2002.

Oil, gas and NGL revenues were up \$596 million, or 67%, for the second quarter of 2003 compared to the second quarter of 2002, and \$1.1 billion, or 67%, for the first half of 2003 compared to the first half of 2002. The three-month and six-month periods' comparison of production and price changes are shown in the following tables. (Note: Unless otherwise stated, all dollar amounts are expressed in U.S. dollars.)

	Total					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2003	2002	Change ²	2003	2002	Change ²
Production						
Oil (MMBbls)	15	11	+34%	24	23	+4%
Gas (Bcf)	216	198	+9%	397	391	+1%
NGLs (MMBbls)	5	5	-2%	10	10	+4%
Oil, Gas and NGLs (MMBoe) ¹	56	49	+13%	100	98	+2%
Average Prices						
Oil (Per Bbl)	\$25.42	\$22.43	+13%	\$26.44	\$20.45	+29%
Gas (Per Mcf)	4.67	2.84	+64%	4.74	2.63	+80%
NGLs (Per Bbl)	17.88	13.61	+31%	19.50	12.97	+50%
Oil, Gas and NGLs (Per Boe) ¹	26.39	17.88	+48%	27.07	16.59	+63%
Revenues (\$ in millions)						
Oil	\$ 379	\$ 248	+52%	\$ 635	\$ 470	+35%
Gas	1,007	562	+79%	1,881	1,028	+83%
NGLs	92	72	+28%	199	127	+57%
Combined	<u>\$1,478</u>	<u>\$ 882</u>	+67%	<u>\$2,715</u>	<u>\$1,625</u>	+67%

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	Domestic					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2003	2002	Change ²	2003	2002	Change ²
Production						
Oil (MMBbls)	8	6	+20%	13	13	+1%
Gas (Bcf)	148	127	+17%	266	247	+8%
NGLs (MMBbls)	4	4	-2%	8	7	+11%
Oil, Gas and NGLs (MMBoe) ¹	37	31	+15%	66	61	+6%
Average Prices						
Oil (Per Bbl)	\$27.42	\$22.32	+23%	\$28.46	\$20.81	+37%
Gas (Per Mcf)	4.68	2.97	+57%	4.70	2.75	+71%
NGLs (Per Bbl)	16.55	12.91	+28%	18.12	12.52	+45%
Oil, Gas and NGLs (Per Boe) ¹	26.70	18.16	+47%	27.08	17.01	+59%
Revenues (\$ in millions)						
Oil	\$ 219	\$ 148	+48%	\$ 382	\$ 278	+38%
Gas	692	377	+84%	1,249	680	+84%
NGLs	64	51	+26%	138	86	+61%
Combined	\$ 975	\$ 576	+69%	\$1,769	\$1,044	+69%

	Canada					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2003	2002	Change ²	2003	2002	Change ²
Production						
Oil (MMBbls)	3	4	-20%	7	9	-24%
Gas (Bcf)	67	71	-7%	130	144	-10%
NGLs (MMBbls)	1	1	-7%	2	3	-13%
Oil, Gas and NGLs (MMBoe) ¹	15	17	-10%	30	36	-14%
Average Prices						
Oil (Per Bbl)	\$23.88	\$22.51	+6%	\$24.39	\$19.77	+23%
Gas (Per Mcf)	4.67	2.60	+80%	4.85	2.41	+101%
NGLs (Per Bbl)	21.98	15.72	+40%	23.67	14.03	+69%
Oil, Gas and NGLs (Per Boe) ¹	26.68	17.21	+55%	27.63	15.74	+76%
Revenues (\$ in millions)						
Oil	\$ 77	\$ 90	-15%	\$ 161	\$ 172	-7%
Gas	311	185	+68%	628	348	+80%
NGLs	27	21	+30%	60	41	+46%
Combined	\$ 415	\$ 296	+40%	\$ 849	\$ 561	+51%

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	International					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2003	2002	Change ²	2003	2002	Change ²
Production						
Oil (MMBbls)	4	1	+750%	4	1	+335%
Gas (Bcf)	1	—	+100%	1	—	+100%
NGLs (MMBbls)	—	—	—	—	—	—
Oil, Gas and NGLs (MMBoe) ¹	4	1	+810%	4	1	+363%
Average Prices						
Oil (Per Bbl)	\$22.45	\$23.40	-4%	\$23.00	\$21.88	+5%
Gas (Per Mcf)	3.45	—	N/M	3.45	—	N/M
NGLs (Per Bbl)	21.30	—	N/M	21.30	—	N/M
Oil, Gas and NGLs (Per Boe) ¹	23.40	23.40	-4%	22.87	21.88	+5%
Revenues (\$ in millions)						
Oil	\$ 83	\$ 10	+716%	\$ 92	\$ 20	+357%
Gas	4	—	N/M	4	—	N/M
NGLs	1	—	N/M	1	—	N/M
Combined	\$ 88	\$ 10	+768%	\$ 97	\$ 20	+384%

¹ Gas volumes are converted to Boe or MMBoe at the rate of six Mcf of gas per barrel of oil, based upon the approximate relative energy content of natural gas and oil, which rate is not necessarily indicative of the relationship of oil and gas prices. NGL volumes are converted to Boe on a one-to-one basis with oil. The respective prices of oil, gas and NGLs are affected by market and other factors in addition to relative energy content.

² All percentage changes included in this table are based on actual figures and are not calculated using the rounded figures included in this table.

N/M Not meaningful.

The average sales prices per unit of production shown in the preceding tables include the effect of Devon's hedging activities. Following is a comparison of Devon's average sales prices with and without the effect of hedges for the three-month and six-month periods ended June 30, 2003 and 2002.

	With Hedges		Without Hedges	
	Three Months Ended June 30,		Three Months Ended June 30,	
	2003	2002	2003	2002
Oil (per Bbl)	\$25.42	\$22.43	\$26.35	\$22.95
Gas (per Mcf)	\$ 4.67	\$ 2.84	\$ 5.01	\$ 2.88
NGLs (per Bbl)	\$17.88	\$13.61	\$17.88	\$13.61
Oil, Gas and NGLs (per Boe)	\$26.39	\$17.88	\$27.95	\$18.11
	With Hedges		Without Hedges	
	Six Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
Oil (per Bbl)	\$26.44	\$20.45	\$28.06	\$20.77
Gas (per Mcf)	\$ 4.74	\$ 2.63	\$ 5.24	\$ 2.64
NGLs (per Bbl)	\$19.50	\$12.97	\$19.50	\$12.97
Oil, Gas and NGLs (per Boe)	\$27.07	\$16.59	\$29.40	\$16.64

Oil Revenues. Oil revenues increased \$131 million, or 52%, in the second quarter of 2003. An increase in 2003's production of 4 million barrels, or 34%, caused oil revenues to

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increase by \$85 million. The April 2003 Ocean merger accounted for 6 million barrels of increased production, partially offset by production lost from the 2002 property divestitures of 2 million barrels. Oil revenues increased \$46 million due to a \$2.99 increase in the average price of oil.

Oil revenues increased \$165 million, or 35%, in the first half of 2003. An increase in production of 1 million barrels, or 4%, caused oil revenues to increase by \$21 million. The April 2003 Ocean merger accounted for 6 million barrels of increased production, partially offset by production lost from the 2002 property divestitures of 5 million barrels. Oil revenues increased \$144 million due to a \$5.99 increase in the average price of oil.

Gas Revenues. Gas revenues increased \$445 million, or 79%, in the second quarter of 2003. An increase in production of 18 Bcf, or 9%, caused gas revenues to increase by \$50 million. The April 2003 Ocean merger accounted for 30 Bcf of increased production, partially offset by production lost from the 2002 property divestitures of 15 Bcf. The remaining production increase was primarily related to new drilling and development in the Barnett Shale properties acquired in the January 2002 Mitchell merger. Gas revenues increased \$395 million due to a \$1.83 increase in the average price of gas.

Gas revenues increased \$853 million, or 83%, in the first half of 2003. A \$2.11 per Mcf increase in the average gas price in the first half of 2003 caused revenues to increase \$839 million. An increase in production of 6 Bcf, or 1%, caused gas revenues to increase by \$14 million. The April 2003 Ocean merger and January 2002 Mitchell acquisition accounted for 30 Bcf and 11 Bcf of increased production, respectively, partially offset by production lost from the 2002 property divestitures of 32 Bcf, as well as declines of 6 Bcf resulting from increased Canadian royalty rates which are paid in-kind and increase as gas prices increase.

NGL Revenues. NGL revenues increased \$20 million in the second quarter of 2003. A \$4.27 per barrel increase in the average NGL price in the second quarter of 2003 increased NGL revenues by \$21 million. The effect of the price increase was partially offset by a 121,000 barrel decrease in 2003 production. The production decrease was primarily related to 2002 property divestitures partially offset by production from the April 2003 Ocean merger.

NGL revenues increased \$72 million in the first half of 2003. Production from the first half of 2003 was consistent with the first half of 2002. NGL revenues increased \$72 million due to a \$6.53 increase in the average NGL price.

Marketing and Midstream Revenues. Marketing and midstream revenues increased \$68 million, or 26%, in the second quarter of 2003, which was primarily the result of an increase in gas and NGL prices. Third-party processed NGL volumes remained relatively steady, as the net effect of a decline in volumes due to the disposition of certain processing plants was offset by an increase in volumes from new drilling and development in the Barnett Shale.

Marketing and midstream revenues increased \$342 million, or 80%, in the first half of 2003. Of this total increase, \$178 million was the result of an increase in gas and NGL prices. An increase in third-party processed NGL volumes caused the remaining increase in first half 2003 revenues. The increase in volumes was primarily related to new drilling and development in the Barnett Shale and an additional 24 days of production in 2003 due to the timing of the

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January 2002 Mitchell merger, partially offset by volumes lost as a result of processing plant dispositions.

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

	Total					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2003	2002	Change ¹	2003	2002	Change ¹
Expenses (\$ in Millions)						
Lease operating expenses	\$ 223	\$ 162	+37%	\$ 388	\$ 316	+23%
Transportation costs	51	38	+36%	92	76	+22%
Production taxes	51	33	+53%	98	55	+77%
	—	—		—	—	
Total production and operating expenses	\$ 325	\$ 233	+39%	\$ 578	\$ 447	+29%
	—	—		—	—	
Expenses Per Boe						
Lease operating expenses	\$3.98	\$3.29	+21%	\$3.87	\$3.23	+20%
Transportation costs	0.91	0.76	+20%	0.91	0.77	+18%
Production taxes	0.90	0.67	+34%	0.97	0.56	+73%
	—	—		—	—	
Total production and operating expenses	\$5.79	\$4.72	+23%	\$5.75	\$4.56	+26%
	—	—		—	—	

¹ All percentage changes included in this table are based on actual figures and are not calculated using the rounded figures included in this table.

Lease operating expenses increased \$61 million in the second quarter of 2003. The April 2003 Ocean merger accounted for \$50 million of the increase. The historical Devon lease operating expenses increased \$25 million, due to an increase in well workover expenses and increased power, fuel, casualty insurance and repairs and maintenance costs. Additionally, changes in the Canadian-to-U.S. dollar exchange rate resulted in an \$8 million increase in costs. These increases were partially offset by a decrease of \$22 million due to the 2002 property divestitures.

Lease operating expenses increased \$72 million in the first half of 2003. The April 2003 Ocean merger accounted for \$50 million of the increase. The historical Devon lease operating expenses increased \$63 million, due to an increase in well workover expenses and increased power, fuel, casualty insurance and repairs and maintenance costs. Additionally, changes in the Canadian-to-U.S. dollar exchange rate resulted in a \$12 million increase in costs. These increases were partially offset by a decrease of \$53 million due to the 2002 property divestitures.

Transportation costs increased \$13 million in the second quarter of 2003 and \$16 million in the first half of 2003. The April 2003 Ocean merger accounted for \$9 million of the increase in both periods, while the remainder of the increases was due primarily to an increase in gas production in higher cost areas.

Production taxes increased \$18 million in second quarter of 2003 and \$43 million in the first half of 2003. The majority of Devon's production taxes are assessed on its onshore domestic properties. In the U.S., most of the production taxes are based on a fixed percentage of

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revenues. Therefore, the 69% increases in both second quarter and first half 2003 domestic oil, gas and NGL revenues were the primary causes of the production tax increases.

Marketing and Midstream Operating Costs and Expenses. Marketing and midstream operating costs and expenses, which increased \$55 million, or 25%, in the second quarter of 2003, was primarily the result of an increase in prices paid for gas and NGLs. Third-party processed NGL volumes remained relatively steady, as the net effect of a decline in volumes from the disposition of certain processing plants was offset by an increase in volumes from new drilling and development in the Barnett Shale.

Marketing and midstream operating costs and expenses increased \$286 million, or 82%, in the first half of 2003. Of this total increase, \$136 million was the result of an increase in prices paid for gas and NGLs. An increase in third-party processed NGL volumes caused the remaining increase in first half 2003 revenues. The increase in volumes was primarily related to new drilling and development in the Barnett Shale and an additional 24 days of production in 2003 due to the timing of the January 2002 Mitchell acquisition. These increases were partially offset by volumes lost as a result of processing plant dispositions.

Depreciation, Depletion and Amortization Expenses (“DD&A”). Oil and gas property related DD&A increased \$99 million, or 34%, from \$296 million in the second quarter of 2002 to \$395 million in the second quarter of 2003. Oil and gas property related DD&A expense increased \$40 million due to the 13% increase in combined oil, gas and NGLs production in 2003. Additionally, an increase in the combined U.S., Canadian and international DD&A rate from \$5.99 per Boe in 2002 to \$7.06 per Boe in 2003 caused oil and gas property related DD&A to increase by \$59 million. The increase in the DD&A rate is primarily related to the April 2003 Ocean merger.

Oil and gas property related DD&A increased \$77 million, or 13%, from \$586 million in the first half of 2002 to \$663 million in the first half of 2003. Oil and gas property related DD&A expense increased \$14 million due to the 2% increase in combined oil, gas and NGLs production in 2003. Additionally, an increase in the combined U.S., Canadian and international DD&A rate from \$5.98 per Boe in 2002 to \$6.62 per Boe in 2003 caused oil and gas property related DD&A to increase by \$63 million. The increase in the DD&A rate is primarily related to the April 2003 Ocean merger.

Non-oil and gas property DD&A expense increased \$5 million from \$27 million in the second quarter of 2002 compared to \$32 million the second quarter of 2003. Depreciation of equipment acquired in the April 2003 Ocean merger accounted for the increase. Non-oil and gas property DD&A expense increased \$12 million from \$48 million in the first half of 2002 compared to \$60 million the first half of 2003. Depreciation of equipment acquired in the April 2003 Ocean merger and marketing and midstream assets acquired in the January 2002 Mitchell merger accounted for the increase.

Accretion of Asset Retirement Liability. Effective January 1, 2003, Devon adopted Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* (SFAS No. 143) using a cumulative effect approach to recognize transition amounts for asset retirement obligations, asset retirement costs and accumulated depreciation. SFAS No. 143 requires liability recognition for retirement obligations associated with tangible long-lived assets,

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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 (the “costs to be recovered”), may not exceed a calculated “full cost ceiling.” The ceiling limitation is the discounted estimated after-tax future net revenues from 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. Therefore, the ceiling limitation is not necessarily indicative of the properties’ fair value. The costs to be recovered are compared to the ceiling on a quarterly basis. If the costs to be recovered exceed the ceiling, the excess is written off as an expense, except as discussed in the following paragraph.

If, subsequent to the end of the quarter but prior to the applicable financial statements being published, prices increase to levels such that the ceiling would exceed the costs to be recovered, a writedown otherwise indicated at the end of the quarter is not required to be recorded. A writedown indicated at the end of a quarter is also not required if the value of additional reserves proved up on properties after the end of the quarter but prior to the publishing of the financial statements would result in the ceiling exceeding the costs to be recovered, as long as the properties were owned at the end of the quarter.

An expense recorded in one period may not be reversed in a subsequent period even though higher oil and gas prices may have increased the ceiling applicable to the subsequent period.

Based on oil and natural gas cash market prices as of June 30, 2002, Devon’s Canadian costs to be recovered exceeded the related ceiling value by \$371 million. This after-tax amount resulted in a pre-tax reduction of the carrying value of Devon’s Canadian oil and gas properties of \$651 million in the second quarter of 2002. This reduction was the result of a sharp drop in Canadian gas prices during the last half of June 2002. The June 30, 2002 reference prices used in the Canadian ceiling calculation, expressed in Canadian dollars, were a NYMEX price of C\$40.79 per barrel of oil and an AECO price of C\$2.17 per Mcf. The cash market prices of natural gas increased during the month of July 2002 prior to Devon’s release of its second quarter results, but the increase was not sufficient to offset the entire reduction calculated as of June 30, 2002.

Interest Expense. Interest expense decreased \$18 million, or 12%, in the second quarter of 2003. The average debt balance increased from \$8.9 billion in second quarter of 2002 to \$9.1 billion in the 2003 quarter, causing interest expense to increase \$3 million. The average interest rate on outstanding debt remained steady at 6.0% for the 2002 and 2003 quarters. Other items included in interest expense that are not related to the debt balance outstanding were \$21 million lower in the second quarter of 2003. Of this decrease, \$11 million related to the capitalization of interest and \$8 million related to the loss on the early extinguishment of 8.75% senior notes in the 2002 quarter. The increase in interest capitalized was primarily related to additional unproved properties acquired from the April 2003 Ocean merger.

Interest expense decreased \$12 million, or 4%, in the first half of 2003. The average debt balance decreased from \$8.6 billion in the first half of 2002 to \$8.5 billion in the first half of 2003, causing interest expense to decrease \$2 million. The average interest rate on outstanding debt increased from 5.9% in the first half of 2002 to 6.1% in the first half of 2003, due to debt

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assumed in the April 2003 Ocean merger, causing interest expense to increase \$10 million. Other items included in interest expense that are not related to the debt balance outstanding were \$20 million lower in the second quarter of 2003. Of this decrease, \$11 million related to the capitalization of interest and \$8 million related to the loss on the early extinguishment of 8.75% senior notes in 2002.

The following schedule includes the components of interest expense for the second quarter and first half of 2003 and 2002.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	(In millions)			
Interest based on debt outstanding	\$137	\$134	\$260	\$252
Amortization of discounts/premiums	—	3	3	6
Facility and agency fees	1	—	1	1
Amortization of capitalized loan costs	4	2	7	3
Capitalized interest	(12)	(1)	(13)	(2)
Loss on early debt retirement	—	8	—	8
Other	—	2	2	4
	\$130	\$148	\$260	\$272

Effects of Changes in Foreign Currency Exchange Rates. Devon's Canadian subsidiary has certain fixed-rate senior notes which are denominated in U.S. dollars. Changes in the exchange rate between the U.S. dollar and the Canadian dollar while the notes are outstanding increase or decrease the expected amount of Canadian dollars eventually required to repay the notes. In addition, Devon's Canadian subsidiary has cash and other working capital amounts denominated in U.S. dollars which also fluctuate in value with changes in the exchange rate. Such changes in the Canadian dollar equivalent balance of the debt and working capital balances are required to be included in determining net earnings for the period in which the exchange rate changes. The increases in the Canadian-to-U.S. dollar exchange rates from \$0.6331 at December 31, 2002 and \$0.6806 at March 31, 2003 to \$0.7378 at June 30, 2003 resulted in a \$28 million gain and \$50 million gain in the second quarter and first half of 2003, respectively. The increases in the Canadian-to-U.S. dollar exchange rates from \$0.6279 at December 31, 2001 and \$0.6275 at March 31, 2002 to \$0.6585 at June 30, 2002 resulted in a \$17 million gain in both the second quarter and first half of 2002.

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 second quarter of 2003 was an expense of 39% compared to a benefit of 52% in the second quarter of 2002. The estimated effective tax rate was an expense of 36% in the first half of 2003 compared to a benefit of 59% in the first half of 2002. Excluding the effect of the 2002 reduction of carrying value of Canadian oil and gas properties, the effective tax rate was 24% and 24% in the second quarter and first half of 2002, respectively.

The 2003 rate was higher than the statutory federal tax rate due to the effect of state and foreign income taxes. The 2002 rate, excluding the Canadian writedown, was lower than the statutory federal tax rate primarily due to the tax benefits of certain foreign deductions.

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Statement of Financial Accounting Standards No. 109, *Accounting for Income Taxes* (“SFAS No. 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”, SFAS No. 109 requires that a valuation allowance be provided to reduce the recorded tax benefits from such assets.

Included as deferred tax assets at June 30, 2003, were the tax effect of approximately \$755 million of tax related carryforwards. The carryforwards include U.S. federal net operating loss carryforwards, the majority of which do not begin to expire until 2008, U.S. state net operating loss carryforwards which expire primarily between 2003 and 2014, Canadian carryforwards which expire primarily in 2009, International carryforwards which have no expiration and minimum tax credits which have no expiration. Devon expects the tax benefits from the net operating loss carryforwards to be utilized between 2003 and 2010. Such expectation is based upon current estimates of taxable income during this period, considering limitations on the annual utilization of these benefits as set forth by federal tax regulations. Significant changes in such estimates caused by variables such as future oil and gas prices or capital expenditures could alter the timing of the eventual utilization of such carryforwards. There can be no assurance that Devon will generate any specific level of continuing taxable earnings. However, Devon’s management believes that future taxable income will more likely than not be sufficient to utilize substantially all its tax carryforwards prior to their expirations.

Results of Discontinued Operations. Under the provisions of SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, Devon reclassified its Indonesian, Argentine and Egyptian activities as discontinued operations. The decrease in earnings from discontinued operations before income taxes and the related income taxes from second quarter and first half 2002 to second quarter and first half 2003 was primarily due to the sale of these operations during 2002.

Cumulative Effect of Change in Accounting Principle. At the time of adoption of SFAS No. 143 Devon recorded a cumulative-effect-type adjustment for a charge to net earnings of \$16 million net of deferred taxes of \$10 million.

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.

Capital Expenditures. Cash payments for capital expenditures were \$1.1 billion for the first six months of 2003. This total includes \$997 million for the acquisition, drilling or development of oil and gas properties. These amounts compare to cash payments for capital expenditures for the first half of 2002 of \$2.6 billion. This total includes \$1.7 billion related to the January 2002 Mitchell merger and \$840 million for the acquisition, drilling or development of oil and gas properties.

The April 2003 Ocean merger did not affect cash paid for 2003 capital expenditures because the consideration given was Devon common stock. This differs from the January 2002

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Mitchell merger, in which the consideration given was both Devon common stock and cash, and therefore, the Mitchell merger did have an impact on capital expenditures paid in cash.

Other Cash Uses. Devon's common stock dividends were \$16 million in each of the first six months of 2003 and 2002. Devon also paid \$5 million of preferred stock dividends in each of the first six months of 2003 and 2002.

Capital Resources and Liquidity. Devon's primary source of liquidity has historically been net cash provided by operating activities ("operating cash flow"). This source has been supplemented as needed by accessing credit lines and commercial paper markets and issuing equity securities and long-term debt securities.

Operating Cash Flow

Net cash provided by operating activities ("operating cash flow") continued to be a primary source of capital and liquidity in the first half of 2003. Operating cash flow in the first half of 2003 was \$1.8 billion, compared to \$888 million in the first half of 2002. The increase in operating cash flow in the first half of 2003 was primarily caused by the increase in revenues, partially offset by increased expenses, as discussed earlier in this section.

Devon's operating cash flow is sensitive to many variables, the most volatile of which is pricing of the oil, natural gas and NGLs produced. Prices for these commodities are determined primarily by prevailing market conditions. Regional and worldwide economic conditions, weather and other substantially variable factors influence market conditions for these products. These factors are beyond Devon's control and are difficult to predict.

To mitigate some of the risk inherent in oil and natural gas prices, Devon has entered into various financial price swaps and collars and fixed-price physical delivery contracts. Additionally, Devon has utilized price collars to set minimum and maximum prices on a portion of its production. The table below provides the future volumes associated with these various arrangements as of July 31, 2003.

	Price Collars	Price Swap Contracts	Fixed-Price Physical Delivery Contracts	Total
Oil production (MMBbls)				
2003	20	6	—	26
2004	23	—	—	23
Natural gas production (Bcf)				
2003	164	51	8	223
2004	194	3	16	213
2005	—	3	14	17

In addition to the above quantities, Devon also has fixed-price physical delivery contracts for the years 2006 through 2011, covering Canadian natural gas production ranging from 8 Bcf to 14 Bcf per year. Thereafter, Devon also has Canadian gas volumes subject to fixed-price contracts in the years from 2012 through 2016, but the yearly volumes are less than 1 Bcf.

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By removing the price volatility from the above volumes of oil and natural gas production, Devon has mitigated, but not eliminated, the potential negative effect on operating cash flow of declining prices in exchange for limiting the potential benefit from any future oil and gas price increases.

It is Devon's policy to only enter into derivative contracts with investment grade rated counterparties deemed by management as competent and competitive market makers. Devon does not hold or issue derivative instruments for speculative trading purposes.

In December 2002, Devon announced that its capital expenditure budget for the year 2003 was approximately \$1.8 billion. This includes capital for all areas, including exploration and development, marketing and midstream operations, capitalized G&A expense and other areas. As a result of the April 25, 2003 Ocean merger, Devon's expected capital expenditures will be approximately \$2.4 billion in 2003. This capital budget represents the largest planned use of available operating cash flow. To a certain degree, the ultimate timing of these capital expenditures is within Devon's control. Therefore, if oil and natural gas prices decline to levels below its acceptable levels, Devon could choose to defer a portion of these planned 2003 capital expenditures until later periods to achieve the desired balance between sources and uses of liquidity. Based upon current oil and gas price expectations for 2003, Devon anticipates that its operating cash flow will exceed its planned capital expenditures and other cash requirements for the year. Devon currently intends to accumulate any excess cash to fund current and future years' debt maturities. Additional alternatives could be considered based upon the actual amount, if any, of such excess cash.

Credit Lines

Other sources of liquidity are Devon's revolving lines of credit (the "Credit Facilities"). The Credit Facilities include a U.S. facility of \$725 million (the "U.S. Facility") and a Canadian facility of \$275 million (the "Canadian Facility").

Amounts borrowed under the Credit Facilities bear interest at various fixed rate options that Devon may elect for periods up to six months. Such rates are generally less than the prime rate. Devon may also elect to borrow at the prime rate. The Credit Facilities provide for an annual facility fee of \$1.4 million that is payable quarterly in arrears.

The \$725 million U.S. Facility consists of a Tranche A facility of \$200 million and a Tranche B facility of \$525 million. The Tranche A facility matures on October 15, 2004. Devon may borrow funds under the Tranche B facility until June 2, 2004 (the "Tranche B Revolving Period"). Devon may request that the Tranche B Revolving Period be extended an additional 364 days by notifying the agent bank of such request between 30 and 60 days prior to the end of the Tranche B Revolving Period. On June 2, 2004, at the end of the Tranche B Revolving Period, Devon may convert the then outstanding balance under the Tranche B facility to a one-year term loan by paying the Agent a fee of 25 basis points. The applicable borrowing rate would be at LIBOR plus 112.5 basis points. On June 30, 2003, there were no borrowings outstanding under the \$725 million U.S. Facility. The available capacity under the U.S. Facility as of July 31, 2003, net of outstanding letters of credit, was \$591 million.

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Devon may borrow funds under the \$275 million Canadian Facility until June 2, 2004 (the “Canadian Facility Revolving Period”). Devon may request that the Canadian Facility Revolving Period be extended an additional 364 days by notifying the agent bank of such request between 30 and 60 days prior to the end of the Canadian Facility Revolving Period. Debt outstanding as of the end of the Canadian Facility Revolving Period is payable in semiannual installments of 2.5% each for the following five years, with the final installment due five years and one day following the end of the Canadian Facility Revolving Period. On June 30, 2003, there were no borrowings under the \$275 million Canadian facility. The available capacity under the Canadian Facility as of July 31, 2003, net of outstanding letters of credit, was \$207 million.

Under the terms of the Credit Facilities, Devon has the right to reallocate up to \$100 million of the unused Tranche B facility maximum credit amount to the Canadian Facility. Conversely, Devon also has the right to reallocate up to \$100 million of unused Canadian Facility maximum credit amount to the Tranche B Facility.

Devon also has access to short-term credit under its commercial paper program. Total borrowings under the U.S. Facility and the commercial paper program may not exceed \$725 million. Commercial paper debt generally has a maturity of between seven to 90 days, although it can have a maturity of up to 365 days. Devon had no commercial paper debt outstanding at June 30, 2003.

As of June 30, 2003, Devon had \$1.1 billion outstanding under its \$3 billion senior unsecured term loan credit facility. This credit facility, which was entered into in October 2001, has a term of five years. Subsequent to repayments of amounts outstanding using the proceeds of the debt securities issued on August 4, 2003, this credit facility’s remaining balance of \$635 million is due October 15, 2006. This credit facility includes various rate options which can be elected by Devon, including a rate based on LIBOR plus a margin. As of July 31, 2003, the average interest rate on this facility was 2.11%.

On August 4, 2003, Devon issued \$500 million of 2.75% notes due August 1, 2006. The debt securities are unsecured obligations of Devon and are redeemable at the option of Devon, in whole or in part, at any time at a redemption price equal to the greater of 100% of the principal amount of the notes outstanding plus accrued and unpaid interest to the redemption date or the sum of the present values of the remaining scheduled payments of principal and interest thereon (exclusive of interest accrued to the date of redemption) from the redemption date to the maturity date plus accrued and unpaid interest to the redemption date. The proceeds from the issuance of these debt securities, net of discounts and issuance costs, of \$498 million were used to repay amounts outstanding under the \$3 billion senior unsecured term loan credit facility.

In conjunction with the notes offering, Devon also entered into a \$500 million interest rate swap. The swap will effectively convert Devon’s interest rate on the \$500 million of newly issued debt from the fixed rate of 2.75% to a floating rate of LIBOR less 26.8 basis points. The use of the new debt’s proceeds to repay amounts outstanding under the term loan credit facility, combined with the interest rate swap, has reduced the effective interest rate on approximately \$500 million of floating rate debt by approximately 115 basis points including the effects of issuance costs.

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Devon's \$1 billion revolving credit facilities and its \$3 billion senior unsecured term loan credit facility each contain only one material financial covenant. This covenant requires Devon to maintain a ratio of total funded debt to total capitalization of no more than 65%. The credit agreements contain definitions of total funded debt and total capitalization that include adjustments to the respective amounts reported in Devon's consolidated financial statements. Per the agreements, total funded debt excludes the debentures that are exchangeable into shares of ChevronTexaco Corporation common stock. Also, total capitalization is adjusted to add back noncash financial writedowns such as full cost ceiling property impairments or goodwill impairments. As of June 30, 2003, Devon's ratio of total funded debt to total capitalization, as defined in its credit agreements, was 44.4%.

A summary of Devon's contractual obligations as of June 30, 2003, is provided in the following table.

	Payments Due By Year						Total
	2003	2004	2005	2006	2007	After 2007	
	(In millions)						
Long-term debt	\$230	337	472	1,261	400	6,314	9,014
Operating leases	24	54	47	42	36	350	553
Drilling obligations	76	34	37	1	—	—	148
Firm transportation agreements	53	88	55	47	39	205	487
Other	5	7	7	7	5	25	56
Total	\$388	520	618	1,358	480	6,894	10,258

Firm transportation agreements represent "ship or pay" arrangements whereby Devon has committed to ship certain volumes of gas for a fixed transportation fee. Devon has entered into these agreements to ensure that Devon can get its gas production to market. Devon expects to have sufficient volumes to ship to satisfy the firm transportation agreements, so that Devon will be receiving equivalent value for the firm transportation payments that it will make.

The above table does not include \$163 million of letters of credit that have been issued by commercial banks on Devon's behalf which, if funded, would become borrowings under Devon's revolving credit facility. Most of these letters of credit have been granted by Devon's financial institutions to support Devon's International and Canadian drilling commitments. The \$9.0 billion of long-term debt shown in the table excludes \$58 million of premiums and a \$2 million fair value adjustment, both of which are included in the June 30, 2003, book balance of the debt.

Impact of Recently Issued Accounting Standards Not Yet Adopted

In January 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 46, *Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51*, ("Interpretation No. 46"). Interpretation No. 46 requires a company to consolidate a variable interest entity if the company has a variable interest (or combination of variable interests) that will absorb a majority of the entity's expected losses if they occur, receive a majority of the entity's expected residual returns if they occur, or both. A direct or indirect ability to make decisions that significantly affect the results of the activities of a variable interest entity is a strong indication that a company has one or both of the characteristics that would require consolidation of the variable interest

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entity. Interpretation No. 46 also requires additional disclosures regarding variable interest entities. The new interpretation is effective immediately for variable interest entities created after January 31, 2003, and is effective in the first interim or annual period beginning after June 15, 2003, for variable interest entities in which a company holds a variable interest that it acquired before February 1, 2003. Devon owns no interests in variable interest entities; therefore Interpretation No. 46 will not affect Devon's consolidated financial statements.

During April 2003, the FASB issued Statement No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*, ("SFAS No. 149"). SFAS No. 149 amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. SFAS No. 149 is generally effective for contracts entered into or modified after June 30, 2003, and for hedging relationships designated after June 30, 2003. The guidance should be applied prospectively. Devon will follow the guidance of SFAS No. 149 and expects that it will have no impact on its financial statements.

On May 15, 2003, the FASB issued Statement No. 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*, ("SFAS No. 150"). SFAS No. 150 requires issuers to classify as liabilities (or assets in some circumstance) three classes of freestanding financial instruments that embody obligations for the issuer. Generally, SFAS No. 150 is effective for financial instruments entered into or modified after May 31, 2003 and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. Devon currently has no financial instruments within the scope of SFAS No. 150.

Change to Critical Accounting Policy

In May 2003, the SEC issued Staff Accounting Bulletin No. 103, *Update of Codification of Staff Accounting Bulletins*, ("SAB No. 103") to comprehensively update the existing codification of all staff accounting bulletins. In SAB No. 103, the SEC provided new guidance regarding the calculation of the "ceiling" or limitation on the amount of properties that can be capitalized on the balance sheet under the full cost method of accounting for oil and gas properties. The ceiling calculation dictates that prices and costs in effect as of the last day of the period are generally held constant indefinitely. In SAB No. 103, the SEC expressed its view that the use of end-of-period prices, as adjusted for cash flow hedges, represents the best measure of estimated future cash flows used in calculating the ceiling limitation. Therefore, consistent with the guidance in SAB No. 103, Devon now adjusts the end-of-period price by the effect of cash flow hedges.

SEC Staff View—Intangible Assets

Devon understands that over the past several months, certain oil and gas registrants (other than Devon) have received comment letters from the SEC staff questioning the accounting and presentation of oil and gas related assets, specifically the presentation of drilling and producing rights. Although Devon has been informed that the SEC staff agrees that current accounting principles for oil and gas producers are unaffected by FASB Statement No. 141, *Business Combinations*, and FASB Statement No. 142, *Goodwill and Other Intangible Assets*

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(Statement No. 142) with respect to measurement issues, Devon understands that the SEC staff has expressed a view that oil and gas producers should present oil and gas intangible assets separately pursuant to the guidance in Statement No. 142 with the attendant disclosures. Current practice for Devon and the industry generally is to present all oil and gas related assets in property and equipment on the balance sheet as prescribed by pre-existing guidance for accounting for oil and gas producing activities.

Devon further understands the SEC has requested the FASB's Emerging Issues Task Force (EITF) to reconcile this perceived conflict within the related FASB statements. If the SEC staff's view prevails after any additional consideration by the EITF, Devon would be required to reclassify significant amounts from property and equipment to separate intangible asset classifications on the consolidated balance sheet and to provide disclosures regarding the intangible assets. Devon's equity, operations and cash flows would not be affected.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

The information included in "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of Devon's 2002 Annual Report on Form 10-K is incorporated herein by reference. Such information includes a description of Devon's potential exposure to market risks, including commodity price risk, interest rate risk and foreign currency risk. The following information updates Devon's commodity price risk and foreign currency risk exposure as of July 31, 2003 and interest rate risk exposure as of August 5, 2003 for changes from that disclosed in the 2002 Form 10-K and the May 8, 2003 Current Report on Form 8-K.

Commodity Price Risk

Devon's major market risk exposure is in the pricing applicable to its oil, gas and NGLs production. Realized pricing is primarily driven by the prevailing worldwide price for crude oil and spot market prices applicable to its U.S. and Canadian natural gas and NGL production. Pricing for oil, gas and NGL production has been volatile and unpredictable for several years.

Devon periodically enters into financial hedging activities with respect to a portion of its projected oil and natural gas production through various financial transactions which hedge the future prices received. These transactions include financial price swaps whereby Devon will receive a fixed price for its production and pay a variable market price to the contract counterparty, and costless price collars that set a floor and ceiling price for the hedged production. If the applicable monthly price indices are outside of the ranges set by the floor and ceiling prices in the various collars, Devon and the counterparty to the collars will settle the difference. These financial hedging activities are intended to support oil and natural gas prices at targeted levels and to manage Devon's exposure to oil and gas price fluctuations. Devon does not hold or issue derivative instruments for speculative trading purposes.

Devon's total hedged positions on future production as of July 31, 2003 are set forth in the following tables.

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Price Swaps

Through various price swaps, Devon has fixed the price it will receive on a portion of its oil and natural gas production in 2003 through 2005. The following tables include information on this fixed-price production by area. Where necessary, the prices related to these swaps have been adjusted for certain transportation costs that are netted against the price recorded by Devon, and the price has also been adjusted for the Btu content of the gas production that has been hedged.

Oil Production

Area	2003		
	Bbls/Day	Price/Bbl	Months of Production
International	35,000	\$25.82	Jul - Dec

Gas Production

Area	2003		
	Mcf/Day	Price/Mcf	Months of Production
United States	97,389	\$3.21	Jul - Dec
United States	178,770	\$4.47	Jul - Dec

Area	2004		
	Mcf/Day	Price/Mcf	Months of Production
United States	8,435	\$3.55	Jan - Dec

Area	2005		
	Mcf/Day	Price/Mcf	Months of Production
United States	7,343	\$3.40	Jan - Dec

Costless Price Collars

Devon has also entered into costless price collars that set a floor and ceiling price for a portion of its 2003 and 2004 oil production that otherwise is subject to floating prices. The floor and ceiling prices related to domestic and Canadian oil production are based on the NYMEX price. The floor and ceiling prices related to international oil production are based on the Brent price. If the NYMEX or Brent price is outside of the ranges set by the floor and ceiling prices in the various collars, Devon and the counterparty to the collars will settle the difference. Any such settlements will either increase or decrease Devon's oil revenues for the period. Because Devon's oil volumes are often sold at prices that differ from the NYMEX or Brent price due to differing quality (i.e., sweet crude versus sour crude) and transportation costs from different geographic areas, the floor and ceiling prices of the various collars do not reflect actual limits of Devon's realized prices for the production volumes related to the collars.

Devon has also entered into costless price collars that set a floor and ceiling price for a portion of its 2003 and 2004 natural gas production that otherwise is subject to floating prices. If the applicable monthly price indices are outside of the ranges set by the floor and ceiling prices in

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the various collars, Devon and the counterparty to the collars will settle the difference. Any such settlements will either increase or decrease Devon's gas revenues for the period. Because Devon's gas volumes are often sold at prices that differ from the related regional indices, and due to differing Btu contents of gas produced, the floor and ceiling prices of the various collars do not reflect actual limits of Devon's realized prices for the production volumes related to the collars.

To simplify presentation, Devon's costless collars as of July 31, 2003 have been aggregated in the following table according to similar floor prices and similar ceiling prices. The floor and ceiling prices shown are weighted averages of the various collars in each aggregated group.

The international oil prices shown in the following tables have been adjusted to a NYMEX-based price, using Devon's estimates of future differentials between NYMEX and the Brent price upon which the collars are based.

The natural gas prices shown in the following tables have been adjusted to a NYMEX-based price, using Devon's estimates of future differentials between NYMEX and the specific regional indices upon which the collars are based. The floor and ceiling prices related to the domestic collars are based on various regional first-of-the-month price indices as published monthly by *Inside FERC*. The floor and ceiling prices related to the Canadian collars are based on the AECO index as published by the *Canadian Gas Price Reporter*.

Oil Production

2003

Area (Range of Floor Prices/Ceiling Prices)	Bbls/Day	Weighted Average		Months of Production
		Floor Price Per Bbl	Ceiling Price Per Bbl	
United States (\$22.00 - \$22.75/\$27.05 - \$28.10)	12,000	\$22.25	\$27.60	Jul - Dec
United States (\$20.00 - \$23.50/\$28.25 - \$30.00)	14,000	\$22.13	\$28.86	Jul - Dec
United States (\$23.50 - \$23.50/\$28.25 - \$30.75)	6,000	\$23.50	\$29.31	Jul - Dec
Canada (\$21.00 - \$22.00/\$26.60 - \$27.50)	10,000	\$21.80	\$27.11	Jul - Dec
Canada (\$20.00 - \$22.75/\$27.75 - \$28.15)	7,000	\$21.57	\$27.87	Jul - Dec
Canada (\$22.75 - \$23.50/\$28.35 - \$29.25)	6,000	\$23.21	\$28.73	Jul - Dec
Canada (\$23.50 - \$23.50/\$28.80 - \$29.75)	3,000	\$23.50	\$29.18	Jul - Dec

2004

Area (Range of Floor Prices/Ceiling Prices)	Bbls/Day	Weighted Average		Months of Production
		Floor Price Per Bbl	Ceiling Price Per Bbl	
United States (\$20.00 - \$21.50/\$26.50 - \$28.00)	5,000	\$20.80	\$27.57	Jan - Dec
United States (\$20.00 - \$22.00/\$28.35 - \$29.75)	10,000	\$21.55	\$29.25	Jan - Dec
United States (\$22.00 - \$22.00/\$30.00 - \$30.75)	6,000	\$22.00	\$30.42	Jan - Dec
Canada (\$20.00 - \$21.50/\$26.50 - \$27.70)	3,000	\$20.50	\$27.07	Jan - Dec
Canada (\$20.00 - \$22.00/\$28.00 - \$29.20)	5,000	\$21.10	\$28.69	Jan - Dec
Canada (\$22.00 - \$22.00/\$29.80 - \$30.75)	4,000	\$22.00	\$30.30	Jan - Dec
International (\$22.25 - \$22.25/\$30.05 - \$30.70)	12,000	\$22.25	\$30.45	Jan - Dec
International (\$22.25 - \$22.25/\$30.75 - \$31.45)	15,000	\$22.25	\$31.02	Jan - Dec
International (\$22.25 - \$22.25/\$31.50 - \$31.50)	4,000	\$22.25	\$31.50	Jan - Dec

Gas Production

2003

Weighted Average

Area (Range of Floor Prices/Ceiling Prices)	MMBtu/Day	Weighted Average		Months of Production
		Floor Price Per MMBtu	Ceiling Price Per MMBtu	
United States (\$3.00 - \$3.28/\$4.02 - \$4.26)	130,000	\$3.12	\$4.11	Jul - Dec
United States (\$3.29 - \$3.52/\$4.25 - \$4.56)	110,000	\$3.40	\$4.41	Jul - Dec
United States (\$3.25 - \$3.28/\$4.65 - \$4.93)	70,000	\$3.27	\$4.80	Jul - Dec
United States (\$3.75 - \$3.75/\$5.23 - \$5.23)	20,000	\$3.75	\$5.23	Sept - Oct
United States (\$3.75 - \$3.75/\$5.15 - \$5.33)	50,000	\$3.75	\$5.26	Jul - Dec
United States (\$3.28 - \$3.28/\$5.53 - \$5.93)	55,000	\$3.28	\$5.74	Jul - Dec
United States (\$3.50 - \$4.20/\$5.15 - \$7.65)	75,000	\$3.87	\$6.26	Jul - Sept
United States (\$3.28 - \$3.28/\$6.23 - \$6.53)	40,000	\$3.28	\$6.38	Jul - Dec
Canada (\$3.55 - \$4.00/\$4.37 - \$5.54)	90,000	\$3.62	\$4.50	Jul - Dec
Canada (\$4.01 - \$4.02/\$5.97 - \$6.76)	40,000	\$4.02	\$6.35	Jul - Dec
Canada (\$3.84 - \$4.04/\$6.91 - \$7.51)	50,000	\$3.91	\$7.19	Jul - Dec
Canada (\$3.73 - \$4.04/\$7.62 - \$8.08)	50,000	\$3.94	\$7.80	Jul - Dec
Canada (\$4.13 - \$4.16/\$8.20 - \$10.25)	60,000	\$4.15	\$8.87	Jul - Oct

2004

Weighted Average

Area (Range of Floor Prices/Ceiling Prices)	MMBtu/Day	Weighted Average		Months of Production
		Floor Price Per MMBtu	Ceiling Price Per MMBtu	
United States (\$3.28 - \$3.50/\$5.00 - \$5.81)	50,000	\$3.37	\$5.62	Jan - Dec
United States (\$3.25 - \$4.25/\$5.95 - \$7.20)	120,000	\$3.80	\$6.58	Jan - Dec
United States (\$3.28 - \$4.00/\$7.40 - \$7.75)	75,000	\$3.63	\$7.55	Jan - Dec
United States (\$3.50 - \$4.03/\$7.90 - \$8.80)	70,000	\$3.83	\$8.25	Jan - Dec
Canada (\$3.66 - \$3.75/\$5.77 - \$6.15)	30,000	\$3.72	\$5.94	Jan - Dec
Canada (\$3.62 - \$3.72/\$6.40 - \$6.80)	30,000	\$3.66	\$6.62	Jan - Dec
Canada (\$3.54 - \$3.68/\$7.52 - \$7.81)	60,000	\$3.59	\$7.70	Jan - Dec
Canada (\$3.53 - \$3.78/\$8.16 - \$8.61)	70,000	\$3.61	\$8.33	Jan - Dec
Canada (\$3.53 - \$3.61/\$8.85 - \$9.42)	25,000	\$3.58	\$9.26	Jan - Dec

Three-Way Collars

Devon has also assumed a number of oil and gas three-way collars from Ocean. A three-way collar is a combination of options—a sold put, a purchased put and a sold call. The purchased put establishes a floor price, unless the market price falls below the sold put, at which point the floor price would be NYMEX or Brent plus the difference between the purchased put and the sold put strike prices. The sold call establishes a ceiling price.

The prices related to domestic oil production are based on the NYMEX price, and the prices related to international oil production are based on the Brent price. If the NYMEX or Brent price is outside of the ranges set by the floor and ceiling prices in the various collars, Devon and the counterparty to the collars will settle the difference. Any such settlements will either increase or decrease Devon's oil revenues for the period. Because Devon's oil volumes are often sold at prices that differ from the NYMEX or Brent price due to differing quality (i.e., sweet crude versus sour crude) and transportation costs from different geographic areas, the floor and ceiling prices of the various collars do not reflect actual limits of Devon's realized prices for the production volumes related to the collars.

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The prices related to natural gas production are based on the NYMEX price. If the NYMEX price is outside of the ranges set by the floor and ceiling prices in the various collars, Devon and the counterparty to the collars will settle the difference. Any such settlements will either increase or decrease Devon's gas revenues for the period. Because Devon's gas volumes are often sold at prices that differ from the NYMEX price due to differing Btu contents of gas produced, the floor and ceiling prices of the various collars do not reflect actual limits of Devon's realized prices for the production volumes related to the collars.

To simplify presentation, Devon's three-way collars as of July 31, 2003, have been aggregated in the following tables according to similar sold call prices. The sold call prices shown are weighted averages of the various collars in each aggregated group. The sold put price and the purchased put price are \$19.00 per Bbl and \$23.00 per Bbl, respectively, for each domestic oil collar. The sold put price and the purchased put price are \$21.00 per Bbl and \$25.00 per Bbl, respectively, for each international oil collar. The sold put price and the purchased put price are \$2.50 per MMBtu and \$3.50 per MMBtu, respectively, for each gas collar.

The international oil prices shown in the following tables have been adjusted to a NYMEX-based price, using Devon's estimates of future differentials between NYMEX and the Brent price upon which the collars are based.

Oil Production

2003

Area (Range of Sold Call Prices)	Bbls/Day	Weighted Average			Months of Production
		Sold Put Price Per Bbl	Purchased Put Price Per Bbl	Sold Call Price Per Bbl	
United States (\$27.25 - \$29.00)	43,000	\$19.00	\$23.00	\$27.98	Jul - Dec
International (\$29.13 - \$29.30)	10,000	\$21.00	\$25.00	\$29.22	Jul - Dec

Gas Production

2003

Area (Range of Sold Call Prices)	MMBtu/Day	Weighted Average			Months of Production
		Sold Put Price Per MMBtu	Purchased Put Price Per MMBtu	Sold Call Price Per MMBtu	
United States (\$4.51 - \$4.52)	50,000	\$2.50	\$3.50	\$4.52	Jul - Dec
United States (\$5.18 - \$5.53)	70,000	\$2.50	\$3.50	\$5.34	Jul - Dec

Devon uses a sensitivity analysis technique to evaluate the hypothetical effect that changes in the market value of oil and gas may have on the fair value of its commodity hedging instruments. At July 31, 2003, a 10% increase in the underlying commodities' prices would have reduced the fair value of Devon's commodity hedging instruments by \$101 million.

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Interest Rate Risk

At August 5, 2003, Devon had debt outstanding of \$8.9 billion. Of this amount, \$8.2 billion, or 92%, bears interest at fixed rates averaging 6.6%. The remaining \$0.7 billion of debt outstanding bears interest at floating rates which averaged 2.1%.

The terms of Devon's various floating rate debt facilities (revolving credit facilities and term loan credit facility) allow interest rates to be fixed at Devon's option for periods of between seven to 180 days. A 10% increase in short-term interest rates on the floating-rate debt outstanding as of July 31, 2003 would equal approximately 21 basis points. Such an increase in interest rates would increase Devon's 2003 interest expense by approximately \$1 million assuming borrowed amounts remain outstanding for the remainder of 2003.

Devon has also entered into a floating-to-fixed interest rate swap and fixed-to-floating interest rate swaps to manage its exposure to interest rate volatility. Under the floating-to-fixed interest rate swap, Devon will record a fixed rate of 6.4% on \$89 million of debt in 2003 through 2006 and 6.3% on \$28 million of debt in 2007. Assuming index interest rates remain constant, under the fixed-to-floating interest rate swaps, Devon will record a floating rate of 1.8% on \$1.1 billion of debt in 2003 through 2004, 1.5% on \$1.0 billion of debt in 2005, 1.2% on \$0.9 billion of debt in 2006 and 1.5% on \$0.4 billion of debt in 2007. The amount of gains or losses realized from such swaps are included as increases or decreases to interest expense.

Devon uses a sensitivity analysis technique to evaluate the hypothetical effect that changes in interest rates may have on the fair value of its interest rate swap instruments. At August 5, 2003, a 10% increase in the underlying interest rates would have decreased the fair value of Devon's interest rate swaps by \$6 million.

The above sensitivity analysis for interest rate risk excludes accounts receivable, accounts payable and accrued liabilities because of the short-term maturity of such instruments.

Foreign Currency Risk

Devon's Canadian subsidiary has \$400 million of fixed-rate senior notes which are denominated in U.S. dollars. Changes in the exchange rate between the U.S. dollar and the Canadian dollar between the beginning and end of a reporting period increase or decrease the Canadian dollar equivalent balance of this debt. Such changes in the Canadian dollar equivalent balance of the debt are required to be included in determining net earnings for the period in which the exchange rate changes. Because of the variability of the exchange rate, it is not possible to estimate the effect which will be recorded in 2003. However, based on the June 30, 2003, Canadian-to-U.S. dollar exchange rate of \$0.7378, for every \$0.01 change in the exchange rate, Devon will record an effect (either income or expense) of approximately \$8 million Canadian dollars during the last six months of 2003. The resulting revenue or expense in U.S. dollars will depend on the currency exchange rate in effect throughout the year. The \$400 million becomes due in March 2011. Until then, the gains or losses caused by the exchange rate fluctuations have no effect on cash flow.

Devon also has Canadian and U.S. dollar foreign currency exchange rate swaps. A portion of Devon's Canadian gas sales is based on U.S. dollar prices. Therefore, currency

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fluctuations between the Canadian and U.S. dollars impact the amount of Canadian dollars received by Devon's Canadian subsidiaries for this gas production. These foreign currency exchange rate swaps mitigate the effect of volatility in the Canadian-to-U.S. dollar exchange rate on Canadian gas revenues. Under these swap agreements, for the last half of 2003, Devon will sell \$6 million at average Canadian-to-U.S. exchange rates of \$0.676, and buy the same amount of dollars at the floating exchange rate. The amount of gains or losses realized from such swaps are included as increases or decreases to realized gas sales. At the June 30, 2003 exchange rate, these swaps would result in an increase to gas sales during the last six months of 2003 of approximately \$1 million. A 10% decrease in the Canadian-to-U.S. dollar exchange rate would result in a decrease to gas sales during the last six months of 2003 of approximately \$1 million.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures designed to ensure that information required to be disclosed in our filings under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Our principal executive and financial officers have evaluated our disclosure controls and procedures and have determined that such disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q.

Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

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

(a) Devon's special meeting of stockholders was held in Oklahoma City, Oklahoma at 10:00 a.m. local time, on Friday April 25, 2003.

Devon's annual meeting of stockholders was held in Oklahoma City, Oklahoma at 10:00 a.m. local time, on Wednesday June 11, 2003.

(b) Proxies for the meetings were solicited pursuant to Regulation 14 under the Securities Exchange Act of 1934, as amended. There was no solicitation in opposition to the nominees for election as directors as listed in the proxy statement for the June 11, 2003 meeting and all nominees were elected.

(c) A total of 126,180,427 shares of Devon's common stock outstanding and entitled to vote were present at the April 25, 2003 meeting in person or by proxy, representing approximately 81% percent of the total outstanding. The matters voted upon were as follows:

1. Approval of the issuance of Devon Energy Corporation common stock pursuant to the Agreement and Plan of Merger, dated as of February 23, 2003, by and among Devon Energy Corporation, Devon NewCo Corporation and Ocean Energy, Inc., as it may be amended from time to time. The results of the votes taken at such meeting were as follows:

FOR	124,693,419
AGAINST	597,034
ABSTAIN	889,974

2. Adoption of the Devon Energy Corporation 2003 Long-Term Incentive Plan, subject to the consummation of the merger contemplated by the Agreement and Plan

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of Merger, dated as of February 23, 2003, by and among Devon Energy Corporation, Devon NewCo Corporation and Ocean Energy, Inc., as it may be amended from time to time. The results of the votes taken at such meeting were as follows:

FOR	92,713,689
AGAINST	32,414,960
ABSTAIN	1,051,778

Out of a total of 229,304,496 shares of Devon's common stock outstanding and entitled to vote at the June 11, 2003 meeting, 210,134,010 shares were present at the meeting in person or by proxy, representing approximately 92 percent of the total outstanding. The matters voted upon were as follows:

1. Approval of an amendment to the Restated Certificate of Incorporation of Devon Energy Corporation to increase the number of authorized shares of common stock from four hundred million to eight hundred million. The results of the votes taken at such meeting were as follows:

FOR	195,384,831
AGAINST	12,981,761
ABSTAIN	1,767,418

2. The election of four directors to serve on Devon's board of directors until the 2006 annual meeting of stockholders. The vote tabulation with respect to each nominee was as follows:

Nominee	For	Authority Withheld
Robert L. Howard	206,964,530	3,169,480
Michael M. Kanovsky	206,989,495	3,144,515
J. Todd Mitchell	206,990,741	3,143,269
J. Larry Nichols	205,916,715	4,217,295

Item 5. Other Information

None

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Item 6. Exhibits and Reports on Form 8-K

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

<u>Exhibit Number</u>	
10.1	First Amendment to Amended and Restated U.S. Credit Agreement dated June 5, 2003 by and among Registrant, Bank of America, N.A., individually and as administrative agent, and the U.S. Lenders party to this Amendment
10.2	First Amendment to Amended and Restated Canadian Credit Agreement dated June 5, 2003 among Northstar Energy Corporation and Devon Canada Corporation, as Canadian Borrowers, Bank of America, N.A. acting through its Canadian Branch, as Administrative Agent, and Certain Financial Institutions, as Lenders
10.3	Amendment No. 1 to the Credit Agreement dated as of May 30, 2003, by and among Devon Energy Corporation, Devon Financing Corporation, U.L.C., UBS AG, Stamford Branch (as Administrative Agent), and the lenders signatory thereto
31.1	Certification of J. Larry Nichols, Chief Executive Officer of Registrant, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2003
31.2	Certification of William T. Vaughn, Chief Financial Officer of Registrant, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2003
32.1	Certification of J. Larry Nichols, Chief Executive Officer of Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2003
32.2	Certification of William T. Vaughn, Chief Financial Officer of Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2003

(b) Reports on Form 8-K

A Report on Form 8-K was filed April 2, 2003 to announce a letter agreement amending the Agreement and Plan of Merger for the Ocean Energy, Inc. merger.

A Report on Form 8-K was filed April 14, 2003 to announce the issuance of a supplement to the proxy statement/prospectus dated March 20, 2003.

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A Report on Form 8-K was filed April 25, 2003 to announce the completion of the Ocean Energy, Inc. merger and to file the appropriate financial statements and pro forma information required under Item 7 of Form 8-K.

A Report on Form 8-K was filed May 8, 2003 to update Devon's 2003 forward-looking estimates.

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.

Date: August 13, 2003

DEVON ENERGY CORPORATION

/s/ Danny J. Heatly

Danny J. Heatly
Vice President — Accounting

INDEX TO EXHIBITS

Exhibit Number	Description
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EXHIBIT 10.1

**FIRST AMENDMENT TO AMENDED AND RESTATED
US CREDIT AGREEMENT**

THIS FIRST AMENDMENT TO AMENDED AND RESTATED US CREDIT AGREEMENT (herein called this "Amendment") made as of the Effective Date (defined below in Section 3.1), by and among Devon Energy Corporation, a Delaware corporation ("US Borrower"), Bank of America, N.A., individually and as administrative agent ("US Agent"), and the US Lenders party to this Amendment. The Offer for Extension set forth in this Amendment is made by the undersigned Tranche B Lenders and shall be open for acceptance by US Borrower until (and including) June 5, 2003.

WITNESSETH:

WHEREAS, US Borrower, US Agent and US Lenders entered into that certain Amended and Restated US Credit Agreement dated as of June 7, 2002 (as amended, supplemented, or restated to the date hereof, the "Original Agreement"), for the purpose and consideration therein expressed, whereby US Lenders became obligated to make loans to US Borrower as therein provided; and

WHEREAS, pursuant to, and in compliance with the terms of, Section 1.1(c) of the Original Agreement, US Borrower has delivered to US Agent a Request for Offer of Extension and a copy thereof has been provided to all Tranche B Lenders; and

WHEREAS, after taking into account the reallocations described in Section 3.2 of this Amendment, all of the Tranche B Lenders have agreed to accept such Request for Offer of Extension; and

WHEREAS, all of the Tranche B Lenders have agreed to extend the Tranche B Revolving Period until the Tranche B Conversion Date as described in Section 2.2 of this Amendment and US Agent hereby makes an Offer of Extension to US Borrower on such terms; and

WHEREAS, US Borrower, US Agent and US Lenders party to this Amendment desire to amend the Original Agreement to, among other things, (a) add a new Letter of Credit subfacility to the Tranche B credit facility and (b) provide that the Existing Ocean Letters of Credit (defined below) shall be deemed to have been issued under the Original Agreement;

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

ARTICLE I.

Definitions and References

Section 1.1. Terms Defined in the Original Agreement. Unless the context otherwise requires or unless otherwise expressly defined herein, the terms defined in the Original Agreement (defined below) shall have the same meanings whenever used in this Amendment.

Section 1.2. Other Defined Terms. Unless the context otherwise requires, the following terms when used in this Amendment shall have the meanings assigned to them in this section.

"Amendment" means this First Amendment to the Original Agreement.

"Effective Date" has the meaning given to such term in Section 3.1.

"Exiting Tranche B Lenders" means Bayerische Landesbank Girozentrale, Toronto Branch, and Local Oklahoma Bank.

"New Tranche B Lenders" means those financial institutions listed as a Tranche B Lender on Annex II hereto that are not Tranche B Lenders under the Original Agreement.

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

ARTICLE II.

Amendments to Original Agreement

Section 2.1. Defined Terms - Tranche A & Tranche B Facilities.

(a) The following definitions are hereby added to Annex I to the Original Agreement in alphabetical order:

"Canadian LC Collateral" means amounts delivered to Canadian Agent pursuant to Section 2.11 of the Canadian Agreement and held as security for Canadian LC Obligations and the other Canadian Obligations."

"Existing Ocean Letters of Credit" means those "Letters of Credit" (as defined by the Ocean Credit Agreement) issued pursuant to the Ocean Credit Agreement, as listed on Schedule 4."

"Ocean" means Ocean Energy, Inc., a Delaware corporation, which changed its name as of April 25, 2003 to Devon OEI Operating, Inc."

"Ocean Credit Agreement' means that certain Revolving Credit Agreement dated as of May 31, 2002, among Ocean, JPMorgan Chase Bank, as administrative agent, and the financial institutions party thereto, as amended or supplemented."

"TRA LC Collateral' means amounts delivered to US Agent pursuant to Section 2.6 of the US Agreement and held as security for TRA US LC Obligations and the other US Obligations."

"TRA Letters of Credit' means all Letters of Credit issued pursuant to Article II of the US Agreement and those Existing Ocean Letters of Credit that are designated as TRA Letters of Credit on Schedule 4."

"TRA Matured US LC Obligations' means all amounts paid by US LC Issuer on drafts or demands for payment drawn or made under or purported to be under any TRA Letter of Credit issued under the US Agreement and all other amounts due and owing to US LC Issuer under any LC Application for any such TRA Letter of Credit, to the extent the same have not been repaid to US LC Issuer (with the proceeds of Loans or otherwise)."

"TRA US LC Obligations' means, at the time in question, with respect to the US Agreement, the sum of all TRA Matured US LC Obligations plus the maximum amounts which US LC Issuer might then or thereafter be called upon to advance under all TRA Letters of Credit issued under the US Agreement then outstanding."

"TRA US LC Sublimit' means US \$200,000,000."

"US Facility Commitment Period" means (i) for purposes of the Competitive Bid Notes allocated to the Tranche A Loans, the period from the date of this Agreement until the Tranche A Maturity Date and (ii) for Competitive Bid Notes allocated to the Tranche B Loans, the period from the date of this Agreement until the Tranche B Maturity Date.

(b) The following definitions in Annex I to the Original Agreement are hereby amended in their entirety to read as follows:

"Matured US LC Obligations' means all TRA Matured US LC Obligations and all TRB Matured US LC Obligations."

"Tranche A Facility Usage' means, at the time in question, the aggregate amount of Tranche A Loans and TRA US LC Obligations outstanding at such time under the US Agreement."

"Unrestricted Subsidiary' means any corporation, association, partnership, limited liability company, joint venture, or other business or corporate entity, enterprise or organization (i) which is listed below in this definition, or (ii) in which US Borrower did

not own an interest (directly or indirectly) as of the Closing Date, which thereafter became a Subsidiary of US Borrower and which, within 90 days after becoming a Subsidiary of US Borrower, was designated as an Unrestricted Subsidiary by US Borrower to US Agent; provided that (a) in the event any such Subsidiary becomes a Material Subsidiary at any time, such Subsidiary shall cease to be an Unrestricted Subsidiary at such time and shall automatically become a Restricted Subsidiary and

(b) US Borrower may convert any Unrestricted Subsidiary to a Restricted Subsidiary by delivering to US Agent written notice of such conversion signed by the Senior Vice President - Finance, the Senior Vice President - Corporate Finance and Development, the Vice President - Corporate Finance, the Treasurer or the Vice President - Accounting of US Borrower as of the effective date of such conversion, which notice shall certify the following conditions precedent: (1) after giving effect to such conversion, all representations and warranties in any Loan Document applicable to such Subsidiary shall be true in all material respects on and as of such date as if made on and as of the date of such conversion (except to the extent that the facts upon which such representations are based have been changed by the extension of credit hereunder), and (2) after giving effect to such conversion, no Default or Event of Default shall occur solely as a result of such conversion. The Subsidiaries of US Borrower listed on Attachment 1 to this Annex I shall initially be designated as Unrestricted Subsidiaries."

"US LC Issuer' means, with respect to any Letter of Credit, the issuer of such Letter of Credit, which shall be, at the request of US Borrower pursuant to Sections 2.1 and 2.1A of the US Agreement (as applicable), (a) Bank of America, (b) JPMorgan Chase Bank, or (c) another US Lender that is approved by US Agent and US Borrower and that agrees to be bound by the provisions of the US Agreement as a US LC Issuer in form acceptable to US Agent and US Borrower, and their respective successors in such capacities."

"US LC Obligations' means all TRA US LC Obligations and all TRB US LC Obligations."

(c) Paragraph (a) of the definition of Percentage Share in Annex I to the Original Agreement is hereby amended to replace the reference to "when no US Loans are outstanding" with the reference "when no US Loans or US LC Obligations are outstanding".

(d) The definitions of "LC Collateral" and "US LC Sublimit" in Annex I of the Original Agreement are hereby deleted in their entirety. The definition of "Tranche A Percentage Share" in Annex I of the Original Agreement is hereby amended to replace each reference to "US LC Obligations" with "TRA US LC Obligations".

Section 2.2. Defined Terms - Tranche B Facility.

(a) The following definitions are hereby added to Annex I to the Original Agreement in alphabetical order:

"TRB LC Collateral' means amounts delivered to US Agent pursuant to Section 2.6A of the US Agreement and held as security for TRB US LC Obligations and the other US Obligations."

"TRB Letters of Credit' means all Letters of Credit issued pursuant to Article IIA of the US Agreement and those Existing Ocean Letters of Credit that are designated as TRB Letters of Credit on Schedule 4."

"TRB Matured US LC Obligations' means all amounts paid by US LC Issuer on drafts or demands for payment drawn or made under or purported to be under any TRB Letter of Credit issued under the US Agreement and all other amounts due and owing to US LC Issuer under any LC Application for any such TRB Letter of Credit, to the extent the same have not been repaid to US LC Issuer (with the proceeds of Loans or otherwise)."

"TRB US LC Obligations' means, at the time in question, with respect to the US Agreement, the sum of all TRB Matured US LC Obligations plus the maximum amounts which US LC Issuer might then or thereafter be called upon to advance under all TRB Letters of Credit issued under the US Agreement then outstanding."

"TRB US LC Sublimit' means US \$100,000,000."

(b) The following definitions in Annex I to the Original Agreement are hereby amended in their entirety to read as follows:

"Tranche B Conversion Date' means the date which is 364 days after the date on which US Borrower executes and delivers to US Agent the First Amendment to Amended and Restated US Credit Agreement among US Borrower, US Agent and certain US Lenders, or such later day to which the Tranche B Conversion Date is extended pursuant to Section 1.1 of the US Agreement."

"Tranche B Facility Usage' means, at the time in question, the aggregate amount of Tranche B Loans and TRB US LC Obligations outstanding at such time under the US Agreement."

"Tranche B Maturity Date' means the date which is one year and one day after the Tranche B Conversion Date."

"Tranche B Percentage Share' means with respect to any Tranche B Lender (i) when used in Article I of the US Agreement or in Article IIA of the US Agreement, in any Borrowing Notice thereunder or when no Tranche B Loans are outstanding, the Tranche B percentage set forth opposite such Tranche B Lender's name on the Lenders Schedule as modified by assignments of a Tranche B Lender's rights and obligations under the US Agreement made by or to such Lender in accordance with the terms of the US Agreement, and (ii) when used otherwise, the percentage obtained by dividing (x) the

sum of the unpaid principal balance of such Lender's Tranche B Loans and such Lender's Percentage Share of the TRB US LC Obligations, by (y) the sum of the aggregate unpaid principal balance of all Tranche B Loans at such time plus the aggregate amount of all TRB US LC Obligations outstanding at such time."

Section 2.3. Fees.

(a) The first sentence of Subsection (e) of Section 1.5 of the Original Agreement is hereby amended to add the following proviso thereto to read as follows:

"; provided that for purposes of this calculation, Tranche B Facility Usage shall exclude outstanding TRB US LC Obligations to the extent that US Borrower has delivered TRB LC Collateral in respect thereof pursuant to Section 2.6A(c)."

(b) Subsection (f) of Section 1.5 of the Original Agreement is hereby amended to replace the reference to "12.5 Basis Points" with "25 Basis Points".

Section 2.4. Tranche A Letters of Credit.

(a) The Original Agreement is hereby amended to rename Article II thereof to read as follows: "ARTICLE II - Tranche A Letters of Credit".

(b) Article II of the Original Agreement is hereby amended to (i) replace each reference to "Letter of Credit" with "TRA Letter of Credit", (ii) replace each reference to "Letters of Credit" with "TRA Letters of Credit", (iii) replace each reference to "Matured US LC Obligation" with "TRA Matured US LC Obligation", (iv) replace each reference to "Matured US LC Obligations" with "TRA Matured US LC Obligations", (v) replace each reference to "US LC Obligation" with "TRA US LC Obligation", (vi) replace each reference to "US LC Obligations" with "TRA US LC Obligations", (vii) replace each reference to "US LC Sublimit" with "TRA US LC Sublimit", and (viii) replace each reference to "LC Collateral" with "TRA LC Collateral".

(c) Subsection (e) of Section 2.1 of the Original Agreement is hereby amended in its entirety to read as follows: "(e) [Intentionally Omitted];".

(d) The last sentence of Section 2.2 of the Original Agreement is hereby amended in its entirety to read as follows: "If any provisions of any LC Application conflict with any provisions of this Agreement or are inconsistent with the provisions of this Agreement, the provisions of this Agreement shall govern and control."

(e) The last sentence of Subsection (b) of Section 2.3 of the Original Agreement is hereby amended to replace the reference to "Default Rate" with "Default Rate applicable to US Base Rate Loans".

(f) Clause (a) of the first sentence of Section 2.4 of the Original Agreement is hereby amended to replace the reference to "payable on the date of issuance" with "payable, to the extent not previously paid, in arrears on the last day of each Fiscal Quarter".

(g) Section 2.6 of the Original Agreement is hereby amended in its entirety to read as follows:

"Section 2.6. LC Collateral.

(a) TRA US LC Obligations in Excess of Tranche A Maximum Credit Amount. If, after the making of all mandatory prepayments required under Section 1.6(b), the TRA US LC Obligations outstanding under the US Agreement will exceed the Tranche A Maximum Credit Amount, then in addition to prepayment of the entire principal balance of the Tranche A Loans and US Swing Loans, US Borrower will immediately pay to US Agent an amount equal to such excess. US Agent will hold such amount as TRA LC Collateral to secure the remaining TRA US LC Obligations outstanding under the US Agreement and the other US Obligations, and such TRA LC Collateral may be applied from time to time to any TRA Maturesd US LC Obligations or other US Obligations which are due and payable. Neither this subsection nor the following subsection shall, however, limit or impair any rights which US Agent or US LC Issuer may have under any other document or agreement relating to any TRA Letter of Credit, TRA LC Collateral or TRA US LC Obligation, including, subject to the last sentence of Section 2.2, any LC Application, or any rights which any Lender Party may have to otherwise apply any payments by US Borrower and any TRA LC Collateral under Section 3.1.

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

(c) Investment of TRA LC Collateral. Pending application thereof, all TRA LC Collateral shall be invested by US Agent (i) at any time when no Default or Event of Default has occurred that is continuing, in such Cash Equivalents as US Borrower may direct in writing to US Agent and (ii) at any time when a Default or Event of Default has occurred that is continuing, in such Cash Equivalents as US Agent may choose in its sole discretion. All interest on (and other proceeds of) such Investments shall be reinvested or applied to TRA Maturesd US LC Obligations or other US Obligations which are due and payable; provided that so long as no Default or Event of Default has occurred that is continuing, such interest on or other earnings in respect of such Investments shall be promptly paid to US Borrower upon its written request to US Agent. When all US

Obligations have been satisfied in full, including all TRA US LC Obligations, all TRA Letters of Credit have expired or been terminated, and all of US Borrower's reimbursement obligations in connection therewith have been satisfied in full, US Agent shall release to US Borrower any remaining TRA LC Collateral.

(d) Grant of Security Interest. US Borrower hereby assigns and grants to US Agent a continuing security interest in all TRA LC Collateral paid by it to US Agent, all Investments purchased with such TRA LC Collateral, and all proceeds thereof to secure its TRA Maturity US LC Obligations and the other US Obligations hereunder, each US Note, and the other US Loan Documents. US Borrower further agrees that US Agent shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as adopted in the State of Texas with respect to such security interest and that an Event of Default under this Agreement shall constitute a default for purposes of such security interest. When US Borrower is required to provide TRA LC Collateral for any reason and fails to do so on the day when required, US Agent may without notice to US Borrower or any other Restricted Person provide such TRA LC Collateral (whether by transfers from other accounts maintained with US Agent, or otherwise) using any available funds of US Borrower or any other Person also liable to make such payments."

Section 2.5. Tranche B Letters of Credit. The Original Agreement is hereby amended to add a new Article IIA thereto immediately following Article II thereof to read as follows:

"ARTICLE IIA - Tranche B Letters of Credit

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

- (a) the Tranche B Facility Usage does not exceed the Tranche B Maximum Credit Amount at such time;
- (b) the aggregate amount of TRB US LC Obligations arising from TRB Letters of Credit issued under this Agreement at such time does not exceed the TRB US LC Sublimit;
- (c) the expiration date of such TRB Letter of Credit is prior to the end of the Tranche B Maturity Date;
- (d) such TRB Letter of Credit is to be used for general corporate purposes of US Borrower or one or more of its Subsidiaries;

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

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

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

Subject to the terms and conditions set forth herein, US LC Issuer will, in reliance upon the agreements of the other Tranche B Lenders set forth in Section 2.3A(b), honor any such request if the foregoing conditions (a) through (g) (in the following Section 2.2A called the "TRB LC Conditions") have been met as of the date of issuance of such TRB Letter of Credit. US LC Issuer may choose to honor any such request for any other TRB Letter of Credit but has no obligation to do so and may refuse to issue any other requested TRB Letter of Credit for any reason which US LC Issuer in its sole discretion deems relevant.

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

Section 2.3A. Reimbursement and Participations.

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

be immediately used by US LC Issuer to repay the amount of the resulting TRB Matured US LC Obligation.

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

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

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

Section 2.4A. Letter of Credit Fees. In consideration of US LC Issuer's issuance of any TRB Letter of Credit, prior to the delivery of TRB LC Collateral pursuant to Section 2.6A(c) on the Tranche B Conversion Date, US Borrower agrees to pay (a) to US LC Issuer for its own account, a letter of credit fronting fee at a rate equal to 12.5 Basis Points per annum multiplied by the face amount of such TRB Letter of Credit, payable in arrears on the last day of each Fiscal Quarter and (b) to US Agent, for the account of all Tranche B Lenders in accordance with their respective Tranche B Percentage Shares, a letter of credit issuance fee calculated by applying the Applicable Margin for Tranche B Loans to the face amount of all TRB Letters of Credit outstanding on each day, payable in arrears on the last day of each Fiscal Quarter. Following the delivery of such TRB LC Collateral, US Borrower agrees to pay (a) to US LC Issuer for its own account, a letter of credit fronting fee at a rate equal to 6.25 Basis Points per annum multiplied by the face amount of such TRB Letter of Credit, and (b) to US Agent, for the account of all Tranche B Lenders in accordance with their respective Tranche B Percentage Shares, a letter of credit issuance fee at a rate equal to 12.5 Basis Points per annum multiplied by the face amount of all TRB Letters of Credit outstanding on each day, in each case, payable in arrears on the last day of each Fiscal Quarter.

Section 2.5A. No Duty to Inquire.

(a) Drafts and Demands. US LC Issuer is authorized and instructed to accept and pay drafts and demands for payment under any TRB Letter of Credit without requiring, and without responsibility for, any determination as to the existence of any event giving rise to said draft, either at the time of acceptance or payment or thereafter. US LC Issuer is under no duty to determine the proper identity of anyone presenting such a draft or making such a demand (whether by tested telex or otherwise) as the officer, representative or agent of any beneficiary under any TRB Letter of Credit, and payment by US LC Issuer to any such beneficiary when requested by any such purported officer, representative or agent is hereby authorized and approved. US Borrower releases each Lender Party from, and agrees to hold each Lender Party harmless and indemnified against, any liability or claim in connection with or arising out of the subject matter of this section, WHICH INDEMNITY SHALL APPLY WHETHER OR NOT ANY SUCH LIABILITY OR CLAIM IS IN ANY WAY OR TO ANY EXTENT CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY LENDER PARTY, provided only that no Lender Party shall be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

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

(c) Transferees of Letters of Credit. If any TRB Letter of Credit provides that it is transferable, US LC Issuer shall have no duty to determine the proper identity of anyone appearing as transferee of such TRB Letter of Credit, nor shall US LC Issuer be charged with responsibility of any nature or character for the validity or correctness of any transfer or successive transfers, and payment by US LC Issuer to any purported transferee or transferees as determined by US LC Issuer is hereby authorized and approved, and US Borrower releases each Lender Party from, and agrees to hold each Lender Party harmless and indemnified against, any liability or claim in connection with or arising out of the foregoing, WHICH INDEMNITY SHALL APPLY WHETHER OR NOT ANY SUCH LIABILITY OR CLAIM IS IN ANY WAY OR TO ANY EXTENT CAUSED, IN WHOLE OR IN PART, BY ANY NEGLIGENT ACT OR OMISSION OF ANY KIND BY ANY LENDER PARTY, provided only that no Lender Party shall be entitled to indemnification for that portion, if any, of any liability or claim which is proximately caused by its own individual gross negligence or willful misconduct, as determined in a final judgment.

Section 2.6A. TRB LC Collateral.

(a) TRB US LC Obligations in Excess of Tranche B Maximum Credit Amount. If, after the making of all mandatory prepayments required under Section 1.6(c), the TRB US LC Obligations outstanding under the US Agreement will exceed the Tranche B Maximum Credit Amount, then in addition to prepayment of the entire principal balance of the Tranche B Loans, US Borrower will immediately pay to US Agent an amount equal to such excess. US Agent will hold such amount as TRB LC Collateral to secure the remaining TRB US LC Obligations outstanding under the US Agreement and the other US Obligations, and such TRB LC Collateral may be applied from time to time to any TRB Matured US LC Obligations or other US Obligations which are due and payable. Neither this subsection nor the following subsections (b) and (c) shall, however, limit or impair any rights which US Agent or US LC Issuer may have under any other document or agreement relating to any TRB Letter of Credit, TRB LC Collateral or TRB US LC Obligation, including, subject to the last sentence of Section 2.2A, any LC Application, or any rights which any Lender Party may have to otherwise apply any payments by US Borrower and any TRB LC Collateral under Section 3.1.

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

(c) Tranche B Conversion Date. If TRB US LC Obligations are outstanding on the Tranche B Conversion Date, US Borrower will immediately pay to US Agent an amount equal to such outstanding TRB US LC Obligations. US Agent will hold such amount as TRB LC Collateral to secure the remaining TRB US LC Obligations outstanding under the US Agreement and the other US Obligations, and such TRB LC Collateral may be applied from time to time to any TRB Matured US LC Obligations or other US Obligations which are due and payable.

(d) Investment of TRB LC Collateral. Pending application thereof, all TRB LC Collateral shall be invested by US Agent (i) at any time when no Default or Event of Default has occurred that is continuing, in such Cash Equivalents as US Borrower may direct in writing to US Agent and (ii) at any time when a Default or Event of Default has occurred that is continuing, in such Cash Equivalents as US LC Issuer may choose in its sole discretion. All interest on (and other proceeds of) such Investments shall be reinvested or applied to TRB Matured US LC Obligations or other US Obligations which are due and payable; provided that so long as no Default or Event of Default has occurred that is continuing, such interest on or other earnings in respect of such Investments shall be promptly paid to US Borrower upon its written request to US Agent. When all US Obligations have been satisfied in full, including all TRB US LC Obligations, all TRB Letters of Credit have expired or been terminated, and all of US Borrower's reimbursement obligations in connection therewith have been satisfied in full, US Agent shall release to US Borrower any remaining TRB LC Collateral.

(e) Grant of Security Interest. US Borrower hereby assigns and grants to US Agent a continuing security interest in all TRB LC Collateral paid by it to US Agent, all Investments purchased with such TRB LC Collateral, and all proceeds thereof to secure its TRB Matured US LC Obligations and the other US Obligations hereunder, each US Note, and the other US Loan Documents. US Borrower further agrees that US Agent shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as adopted in the State of Texas with respect to such security interest and that an Event of Default under this Agreement shall constitute a default for purposes of such security interest. When US Borrower is required to provide TRB LC Collateral for any reason and fails to do so on the day when required, US Agent may without notice to US Borrower or any other Restricted Person provide such TRB LC Collateral (whether

by transfers from other accounts maintained with US Agent, or otherwise) using any available funds of US Borrower or any other Person also liable to make such payments."

Section 2.6. Tax Shelter Representation. Article V of the Original Agreement is hereby amended by adding thereto a new Section 5.14 immediately after Section 5.13 thereof to read as follows:

"Section 5.14. Tax Shelter Regulations. US Borrower does not intend to treat the US Loans and/or Letters of Credit issued hereunder and the transactions financed thereby as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4). In the event US Borrower determines to take any action inconsistent with such intention, it will promptly notify US Agent thereof. If US Borrower so notifies US Agent, US Borrower acknowledges that one or more of the US Lenders may treat its US Loans and/or Letters of Credit issued hereunder as part of a transaction that is subject to Treasury Regulation Section 301.6112-1, and such US Lender or US Lenders, as applicable, will maintain the lists and other records required by such Treasury Regulation."

Section 2.7. Tax Shelter Covenant. Section 6.4 of the Original Agreement is hereby amended by adding thereto a new subsection (d) immediately after subsection (c) thereof to read as follows:

"(d) Promptly after US Borrower has notified US Agent of any intention by US Borrower to treat the US Loans and/or Letters of Credit issued hereunder and the transaction financed thereby as being a "reportable transaction" (within the meaning of Treasury Regulation Section 1.6011-4), US Borrower shall deliver to US Agent a duly completed copy of IRS Form 8886 or any successor form."

Section 2.8 Indebtedness. Subsections (m) and (o) of Section 7.1 of the Original Agreement are hereby amended in their entirety to read as follows:

"(m) (i) (A) Indebtedness in an aggregate principal amount not to exceed US \$3,600,000,000 owed by Devon Financing ULC, and (B) other Indebtedness of Devon Financing ULC with respect to guaranties of Indebtedness of US Borrower, to the extent US Borrower is in compliance with the terms of Section 7.8 at the time such guaranties are executed and delivered, provided that in each case, the Devon Financing ULC Guaranties remain valid, binding and enforceable obligations of Devon Financing ULC or, if the Devon Financing ULC Guaranties have been terminated, replacement guaranty agreements on the same terms are executed by Devon Financing ULC and delivered to Canadian Agent and US Agent, respectively, pursuant to the Canadian Agreement and the US Agreement (along with documents similar to those specified in Section 4.1(d)(i), (e) and (g) with respect to Devon Financing ULC), and

(ii) with respect to any Restricted Subsidiary that assumes all or any portion of the Indebtedness described in the preceding subclause (i)(A) or otherwise becomes liable for

the payment thereof to the holders thereof, (A) such Restricted Subsidiary's obligations with respect to such Indebtedness and (B) other Indebtedness of such Restricted Subsidiary with respect to guaranties of Indebtedness of US Borrower and Devon Financing ULC, to the extent US Borrower is in compliance with the terms of Section 7.8 at the time such guaranties are executed and delivered, provided that in each case such Restricted Subsidiary has executed and delivered guaranties in form substantially similar to the Devon Financing ULC Guaranties to Canadian Agent and US Agent, respectively, pursuant to the Canadian Agreement and the US Agreement."

"(o) miscellaneous items of Indebtedness of all Restricted Persons (other than US Borrower) not otherwise permitted in subsections (a) through (n) which do not in the aggregate exceed US \$500,000,000 in principal amount at any one time outstanding."

Section 2.9. Assignments and Participations. Subsection (a) of Section 10.6 of the Original Agreement is hereby amended to replace the reference to "\$20,000,000" with "\$10,000,000". The penultimate sentence of subsection (f) of Section 10.6 is hereby amended in its entirety to read as follows:

"If any US LC Issuer resigns as a US LC Issuer, it shall retain all the rights and obligations of a US LC Issuer hereunder with respect to all Letters of Credit issued by it outstanding as of the effective date of its resignation as a US LC Issuer and all US LC Obligations with respect thereto (including the right to require the Tranche A Lenders and the Tranche B Lenders, as applicable, to make US Base Rate Loans or fund participations in unreimbursed amounts pursuant to Section 2.3(b) or Section 2.3A(b))."

Section 2.10. Confidentiality. Section 10.7 of the Original Agreement is hereby amended to add the following sentence at the end thereof:

"Notwithstanding anything herein to the contrary, the term "information" shall not include, and the US Agent and each US Lender may disclose without limitation of any kind, any information with respect to the "tax treatment" and "tax structure" (in each case, within the meaning of Treasury Regulation Section 1.6011-4) of the transactions financed hereby and all materials of any kind (including opinions or other tax analyses) that are provided to the US Agent or such US Lender relating to such tax treatment and tax structure, other than any information for which nondisclosure is reasonably necessary in order to comply with applicable securities laws; provided that with respect to any document or similar item that in either case contains information concerning the tax treatment or tax structure of the transaction as well as other information, this sentence shall only apply to such portions of the document or similar item that relate to the tax treatment or tax structure of the US Loans, Letters of Credit issued hereunder and transactions contemplated hereby."

Section 2.11. Existing Ocean Letters of Credit. The Original Agreement is hereby amended to add a new Section 10.21 thereto immediately following Section 10.20 thereof to read as follows:

"Section 10.21. Existing Ocean Letters of Credit. All obligations of Ocean and any Subsidiary of Ocean under the Ocean Credit Agreement and any LC Application in respect of the Existing Ocean Letters of Credit (including, but not limited to, all obligations to reimburse JP Morgan Chase Bank for drawings thereunder) (a) are hereby affirmed and continued in full force and effect, subject to the last sentence of Section 2.2 and the last sentence of Section 2.2A, under the terms of this Agreement and the other US Loan Documents, (b) are hereby assumed by US Borrower, and (c) shall constitute US LC Obligations hereunder; and Ocean and its Subsidiaries are hereby released from such obligations. The Existing Ocean Letters of Credit shall be deemed to have been issued by JPMorgan Chase Bank (as US LC Issuer) under, and the US LC Obligations in respect thereof shall be governed by and have the benefits of, this Agreement, the related LC Applications (subject to the last sentence of Section 2.2 and the last sentence of Section 2.2A); and the other US Loan Documents, provided that Letter of Credit No. 913560 has been issued by Bank of America and shall be deemed to have been issued by Bank of America (as US LC Issuer) under this Agreement."

Section 2.12. Authorized Officers. The Original Agreement is hereby amended to replace each reference to "the Senior Vice President - Finance" with "the Senior Vice President - Finance, the Senior Vice President - Corporate Finance and Development, the Vice President - Corporate Finance".

Section 2.13. Existing Ocean Letters of Credit Schedule. The Original Agreement is hereby amended to add a new Schedule 4 thereto immediately following Schedule 3 thereof to read as set forth in Schedule 1 hereof.

Section 2.14. Unrestricted Subsidiaries. Attachment 1 to Annex I to the Original Agreement is hereby amended by adding the Subsidiaries set forth in Schedule 2 hereto.

Section 2.15. Lenders Schedule. Annex II to this Amendment is hereby substituted for Annex II to the Original Agreement.

Section 2.16. LC Application. Exhibit G to the Original Agreement is hereby amended in its entirety by substituting therefor the LC Applications attached hereto as Annex I.

Section 2.17. Waiver of Notice. Each Tranche B Lender hereby waives the requirement under Section 1.1(c) of the Original Agreement that a Request for Offer of Extension be made by a specific date prior to the current Tranche B Conversion Date of June 6, 2003 and further agrees that the date for acceptance by US Borrower of the Offer of Extension made hereby shall be extended to June 5, 2003, notwithstanding the terms of Section 1.1(c)(ii) of the Original Agreement.

ARTICLE III.

Conditions of Effectiveness

Section 3.1. Effective Date. This Amendment shall become effective on the date (the "Effective Date") on which US Borrower has executed and delivered this Amendment to US Agent (provided that US Borrower shall have executed this Amendment on or before June 5, 2003) and the following additional conditions are satisfied:

- (a) US Agent shall have received all of the following, at US Agent's office, in form, substance and date satisfactory to US Agent:
 - (i) this Amendment, duly executed by US Borrower, US Agent and US Required Lenders (including all Tranche B Lenders), other than Exiting Tranche B Lenders.
 - (ii) a Tranche B Note and a Competitive Bid Note duly executed by US Borrower payable to each New Tranche B Lender and a Tranche B Note to each other Tranche B Lender whose Tranche B Percentage Share of the Tranche B Maximum Credit Amount is changing after giving effect to the provisions of this Amendment.
 - (iii) a certificate of the Senior Vice President - Finance, the Senior Vice President - Corporate Finance and Development or the Vice President - Corporate Finance of US Borrower dated the date of this Amendment certifying: (i) that all of the representations and warranties set forth in Article IV hereof are true and correct at and as of such date, and (ii) that no Default exists at and as of such date.
 - (iv) a Consent and Agreement, duly executed by US Guarantor.
- (b) US Borrower shall have paid on or before such effective date all fees and reimbursements to be paid to US Agent and US Lenders pursuant to any US Loan Documents, or otherwise due US Agent or US Lenders and including fees and disbursements of US Agent's attorneys.
- (c) All commitments under the Ocean Credit Agreement shall have been contemporaneously terminated.

Section 3.2. Special Effective Date Provisions.

- (a) From and after the Effective Date, (i) each Exiting Tranche B Lender shall cease to be a Tranche B Lender under the US Agreement, (ii) no Exiting Tranche B Lender shall have any obligations or liabilities under the US Agreement as a Tranche B Lender with respect to the period from and after the Effective Date, and, without limiting the foregoing, no Exiting Tranche B Lender shall have any commitment to make Tranche B Loans under the US

Agreement and (iii) no Exiting Tranche B Lender shall have any rights as a Tranche B Lender under the US Agreement or any other US Loan Document (other than rights under the US Agreement expressly stated to survive the termination of the US Agreement and the repayment of amounts outstanding thereunder). US Borrower and Tranche B Lenders hereby authorize US Agent to enter into appropriate documentation with the Exiting Tranche B Lenders confirming the foregoing provisions of this subsection.

(b) From and after the Effective Date, each New Tranche B Lender (i) agrees that it shall be bound by the provisions of the US Agreement as a US Lender thereunder and shall have the obligations of a US Lender thereunder, (ii) confirms that it has received a copy of the US Agreement, together with copies of the most recent financial statements delivered pursuant to Section 6.2 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Amendment and to become a Tranche B Lender on the basis of which it has made such analysis and decision independently and without reliance on US Agent or any other US Lender, (iii) appoints and authorizes US Agent to take such action as agent on its behalf and to exercise such powers as it deems necessary under the US Agreement and any other US Loan Document as are delegated to US Agent by the terms thereof, together with such powers as are reasonably incidental thereto and (iv) agrees that (1) it will, independently and without reliance on US Agent or any other US Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the US Loan Documents, and (2) it will perform in accordance with their terms all of the obligations which by the terms of the US Loan Documents are required to be performed by it as a US Lender.

(c) From and after the Effective Date, JPMorgan Chase Bank agrees that it shall be bound by the provisions of the US Agreement as a US LC Issuer thereunder and shall have the obligations of a US LC Issuer thereunder.

(d) Tranche B Lenders hereby authorize US Agent and US Borrower (i) in the event any Tranche B Loans are outstanding on the Effective Date, to request Tranche B Loans from the Tranche B Lenders (other than the Exiting Tranche B Lenders), to make prepayments of Tranche B Loans and (ii) to re-allocate commitments under the US Agreement among Tranche B Lenders in order to ensure that, upon the effectiveness of this Amendment, the Tranche B Loans (if any) and commitment of Tranche B Lenders shall be outstanding on a ratable basis in accordance with their respective Tranche B Percentage Shares, and no such borrowing, prepayment or re-allocation shall violate any provisions of the US Agreement. Tranche B Lenders hereby waive any requirements for minimum amounts of prepayments of Tranche B Loans, ratable re-allocations of the Tranche B Percentage Shares of Tranche B Lenders under the US Agreement and ratable payments on account of the principal or interest of any Tranche B Loan under the US Agreement to the extent such prepayment, re-allocation or payments are required pursuant to this subsection.

Section 3.3. Offer to Extend. The Offer to Extend set forth herein shall be withdrawn and this Amendment shall be null and void if it is not executed and delivered by US Borrower on or before June 5, 2003.

ARTICLE IV.

Representations and Warranties

Section 4.1. Representations and Warranties of US Borrower. In order to induce the US Lenders to enter into this Amendment, US Borrower represents and warrants to each US Lender that:

- (a) The representations and warranties contained in Article V of the Original Agreement are true and correct at and as of the time of the effectiveness hereof, except to the extent that the facts on which such representations and warranties are based have been changed by the extension of credit under the US Agreement.
- (b) US Borrower is duly authorized to execute and deliver this Amendment and is and will continue to be duly authorized to borrow monies and to perform its obligations under the US Agreement. US Borrower has duly taken all corporate action necessary to authorize the execution and delivery of this Amendment and to authorize the performance of the obligations of US Borrower hereunder.
- (c) The execution and delivery by US Borrower of this Amendment, the performance by US Borrower of its obligations hereunder and the consummation of the transactions contemplated hereby do not and will not (i) conflict with any provision of (A) any Law, (B) the organizational documents of US Borrower, or (C) any agreement, judgment, license, order or permit applicable to or binding upon US Borrower unless such conflict would not reasonably be expected to have a Material Adverse Effect, or (ii) result in or require the creation of any Lien upon any assets or properties of US Borrower which would reasonably be expected to have a Material Adverse Effect, except as expressly contemplated or permitted in the Loan Documents. Except as expressly contemplated in the Loan Documents no consent, approval, authorization or order of, and no notice to or filing with, any Tribunal or third party is required in connection with the execution, delivery or performance by US Borrower of this Amendment or to consummate any transactions contemplated by this Amendment, unless failure to obtain such consent would not reasonably be expected to have a Material Adverse Effect.
- (d) When duly executed and delivered, each of this Amendment and the US Agreement will be a legal and binding obligation of US Borrower, enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or similar laws of general application relating to the enforcement of creditors' rights and by equitable principles of general application.
- (e) The audited annual Consolidated financial statements of US Borrower dated as of December 31, 2002 and the unaudited quarterly Consolidated financial statements of US Borrower dated as of March 31, 2003 fairly present the Consolidated financial position at such dates and the Consolidated statement of operations and the changes in Consolidated financial position for the periods ending on such dates for US Borrower. Copies of such financial statements have heretofore been delivered to each US Lender. Since such dates no material

adverse change has occurred in the Consolidated financial condition or businesses of US Borrower.

ARTICLE V.

Miscellaneous

Section 5.1. Ratification of Agreements. The Original Agreement as hereby amended is hereby ratified and confirmed in all respects. The US Loan Documents, as they may be amended or affected by this Amendment, are hereby ratified and confirmed in all respects. Any reference to the US Agreement in any Loan Document shall be deemed to be a reference to the Original Agreement as hereby amended. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of US Lenders under the US Agreement or any other US Loan Document nor constitute a waiver of any provision of the US Agreement or any other US Loan Document.

Section 5.2. Survival of Agreements. All representations, warranties, covenants and agreements of US Borrower herein shall survive the execution and delivery of this Amendment and the performance hereof, and shall further survive until all of the US Obligations are paid in full. All statements and agreements contained in any certificate or instrument delivered by US Borrower or any Restricted Person hereunder or under the US Agreement to any US Lender shall be deemed to constitute representations and warranties by, and/or agreements and covenants of, US Borrower under this Amendment and under the US Agreement.

Section 5.3. US Loan Documents. This Amendment is a US Loan Document, and all provisions in the US Agreement pertaining to US Loan Documents apply hereto.

Section 5.4. Governing Law. This Amendment shall be governed by and construed in accordance the laws of the State of Texas and any applicable laws of the United States of America in all respects, including construction, validity and performance.

Section 5.5. Counterparts; Fax. This Amendment may be separately executed in counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Amendment. This Amendment may be validly executed by facsimile or other electronic transmission.

THIS AMENDMENT AND THE OTHER US LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS OF THE PARTIES.

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

DEVON ENERGY CORPORATION
US Borrower

By: /s/ Brian J. Jennings

Brian J. Jennings
Senior Vice President -
Corporate Finance and Development

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

By: /s/ Richard L. Stein

Name: Richard L. Stein
Title: Principal

JPMORGAN CHASE BANK
US LC Issuer, Tranche A Lender and
Tranche B Lender

By: /s/ Russell A. Johnson

Name: Russell A. Johnson
Title: Vice President

ABN AMRO BANK, N.V.
Tranche B Lender

By: /s/ C. David Allman

Name: C. David Allman
Title: Vice President

By: /s/ John D. Reed

Name: John D. Reed
Title: Vice President

BANK OF MONTREAL
Tranche A Lender and Tranche B Lender

By: /s/ James V. Ducote

Name: James V. Ducote
Title: Director

BANK OF OKLAHOMA, N.A.
Tranche B Lender

By: /s/ T. Coy Gallatin

Name: T. Coy Gallatin
Title: Senior Vice President

BANK ONE, NA (MAIN OFFICE - CHICAGO)
Tranche A Lender and Tranche B Lender

By: /s/ Pete S. Torres

Name: Pete S. Torres
Title: Director

BARCLAYS BANK PLC
Tranche B Lender

By: /s/ Nicholas A. Bell

Name: Nicholas A. Bell
Title: Director
Loan Transaction Management

BNP PARIBAS
Tranche B Lender

By: /s/ Brian M. Malone

Name: Brian M. Malone
Title: Managing Director

By: /s/ Gabe Ellisor

Name: Gabe Ellisor
Title: Vice President

CITIBANK, N.A.
Tranche A Lender and Tranche B Lender

By: /s/ Todd J. Mogil

Name: Todd J. Mogil
Title: Attorney-In-Fact

CREDIT LYONNAIS NEW YORK BRANCH
Tranche B Lender

By: /s/ Olivier Audemard

Name: Olivier Audemard
Title: Senior Vice President

CREDIT SUISSE FIRST BOSTON
Tranche B Lender

By: /s/ James P. Moran

Name: James P. Moran
Title: Director

By: /s/ David J. Dodd

Name: David J. Dodd
Title: Associate

**DEN NORSKE BANK ASA
Tranche B Lender**

By: /s/ Nils Fykse

Name: Nils Fykse
Title: Senior Vice President

By: /s/ Stig Kristiansen

Name: Stig Kristiansen
Title: Vice President

**DEUTSCHE BANK AG NEW YORK BRANCH
Tranche A Lender and Tranche B Lender**

By: /s/ Philippe Sandmeier

Name: Philippe Sandmeier
Title: Director

By: /s/ Oliver Riedinger

Name: Oliver Riedinger
Title: Vice President

**ING CAPITAL, LLC
Tranche B Lender**

By: /s/ Ronald Scherpenhuijsen Rom

Name: Ronald Scherpenhuijsen Rom
Title: Managing Director

MERRILL LYNCH BANK USA
Tranche B Lender

By: /s/ Louis Alder

Name: Louis Alder
Title: Vice President

MORGAN STANLEY BANK
Tranche B Lender

By: /s/ Jaap L. Tonckens

Name: Jaap L. Tonckens
Title: Vice President
Morgan Stanley Bank

ROYAL BANK OF CANADA
Tranche A Lender and Tranche B Lender

By: /s/ Linda M. Stephens

Name: Linda M. Stephens
Title: Senior Manager

SOCIETE GENERALE
Tranche B Lender

By: /s/ Spencer N. Smith

Name: Spencer N. Smith
Title: Vice President

SOUTHWEST BANK OF TEXAS, N.A.
Tranche B Lender

By: /s/ Bryan Chapman

Name: Bryan Chapman
Title: Vice President, Energy Lending

**THE BANK OF NEW YORK
Tranche A Lender and Tranche B Lender**

By: /s/ Raymond J. Palmer

Name: Raymond J. Palmer
Title: Vice President

**THE BANK OF NOVA SCOTIA
Tranche B Lender**

By: /s/ N. Bell

Name: N. Bell
Title: Senior Manager

**THE BANK OF TOKYO - MITSUBISHI, LTD.
HOUSTON AGENCY
Tranche B Lender**

By: /s/ Kelton Glasscock

Name: Kelton Glasscock
Title: VP & Manager

By: /s/ Jay Fort

Name: Jay Fort
Title: Vice President

**UBS AG, CAYMAN ISLANDS BRANCH
Tranche B Lender**

By: /s/ Patricia O'Kicki

Name: Patricia O'Kicki
Title: Director

By: /s/ Wilfred Saint

Name: Wilfred Saint
Title: Associate Director

UMB BANK, n.a.
Tranche A Lender and Tranche B Lender

By: /s/ Richard J. Lehrter

Name: Richard J. Lehrter
Title: Community Bank President

**WACHOVIA BANK, NATIONAL
ASSOCIATION**
Tranche A Lender and Tranche B Lender

By: /s/ James Kipp

Name: James Kipp
Title: Managing Director

WELLS FARGO BANK TEXAS, N.A.
Tranche B Lender

By: /s/ Dustin S. Hansen

Name: Dustin S. Hansen
Title: Assistant Vice President

First Amendment (US)

CONSENT AND AGREEMENT

Devon Financing Corporation, U.L.C., a Nova Scotia unlimited liability company, hereby (i) consents to the provisions of this Amendment and the transactions contemplated herein, (ii) ratifies and confirms the Guaranty dated as of June 7, 2002 (the "DFC Guaranty") made by it for the benefit of US Agent and Lenders executed pursuant to the US Agreement and the other US Loan Documents, (iii) agrees that all of its respective obligations and covenants thereunder shall remain unimpaired by the execution and delivery of this Amendment and the other documents and instruments executed in connection herewith, and (iv) agrees that the DFC Guaranty and such other US Loan Documents shall remain in full force and effect.

DEVON FINANCING CORPORATION, U.L.C.

By: /s/ Brian J. Jennings

Name: Brian J. Jennings

Title: Senior Vice President

**SCHEDULE 1
TO
FIRST AMENDMENT**

SCHEDULE 4**EXISTING OCEAN LETTERS OF CREDIT****TRB LETTERS OF CREDIT**

None.

TRA LETTERS OF CREDIT**DEVON OEI OPERATING INC. (F/K/A OCEAN ENERGY INC.)
ACTIVE/OUTSTANDING LETTERS OF CREDIT
AS OF 5/15/2003**

LC/ NO.	ISSUE DATE	ISSUING BANK	BENEFICIARY	AMOUNT	EXPIRATION DATE
P-259686	05/14/91	Chase Manhattan	Insurance Co. of North America (CIGNA/ACE)	25,000.00	01/30/04
P-753484	02/18/94	Chase Manhattan	American Home Assurance, et al.	960,000.00	01/30/04
D-299353	03/29/00	Chase Texas	National Union Fire Insurance	600,000.00	03/21/04
D-213486	05/09/01	Chase Texas	National Union Fire Insurance	350,000.00	05/08/03
913560	08/10/93	Bank of America (formerly Nations)	Hambros Trust Company (Jersey) Ltd.	15,998,416.43	08/11/03
D-287153	05/03/99	Chase Texas	Sociedade Nacional de Combustiveis de Angola	5,625,000.00	07/15/03
D-216598	08/14/01	Chase Texas	Agencia Nacional do Petroleo	500,000.00	03/30/05
P-235458	03/10/03	JP Morgan Chase NY	JP Morgan Chase Bank London, England	105,000,000.00	03/11/04
TOTAL				\$ 129,058,416.43	

EXHIBIT 10.2

**FIRST AMENDMENT TO AMENDED AND RESTATED
CANADIAN CREDIT AGREEMENT**

THIS FIRST AMENDMENT TO AMENDED AND RESTATED CANADIAN CREDIT AGREEMENT (herein called this "Amendment") made as of the Effective Date (defined below in Section 3.1), by and among Northstar Energy Corporation, an Alberta corporation, and Devon Canada Corporation, an Alberta corporation (herein collectively, called "Canadian Borrowers"), Bank of America, N.A., acting through its Canadian Branch, individually and as administrative agent (herein called "Canadian Agent"), and the Canadian Lenders party to this Amendment. The Offer for Extension set forth in this Amendment is made by the undersigned Canadian Lenders and shall be open for acceptance by Canadian Borrowers until (and including) June 5, 2003.

WITNESSETH:

WHEREAS, Canadian Borrowers, Canadian Agent and Canadian Lenders entered into that certain Amended and Restated Canadian Credit Agreement dated as of June 7, 2002 (as amended, supplemented, or restated to the date hereof, the "Original Agreement"), for the purpose and consideration therein expressed, whereby Canadian Lenders became obligated to make loans to Canadian Borrowers as therein provided; and

WHEREAS, pursuant to, and in compliance with the terms of, Section 1.6(a) of the Original Agreement, Canadian Borrowers have delivered to Canadian Agent a Request for an Offer of Extension and a copy thereof has been provided to all Canadian Lenders; and

WHEREAS, after taking into account the reallocations described in Section 3.2 of this Amendment, all of the Canadian Lenders have agreed to accept such Request for an Offer of Extension; and

WHEREAS, all of the Canadian Lenders have agreed to extend the Canadian Revolving Period until the Canadian Conversion Date as described in Section 2.1 of this Amendment and Canadian Agent hereby makes an Offer of Extension to Canadian Borrowers on such terms; and

WHEREAS, Canadian Borrowers, Canadian Agent and Canadian Lenders party to this Amendment desire to amend the Original Agreement as set forth herein;

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

ARTICLE I.

Definitions and References

Section 1.1. Terms Defined in the Original Agreement. Unless the context otherwise requires or unless otherwise expressly defined herein, the terms defined in the Original Agreement (defined below) shall have the same meanings whenever used in this Amendment.

Section 1.2. Other Defined Terms. Unless the context otherwise requires, the following terms when used in this Amendment shall have the meanings assigned to them in this section.

"Amendment" means this First Amendment to the Original Agreement.

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

"Effective Date" has the meaning given to such term in Section 3.1.

"Exiting Canadian Lenders" means Bayerische Landesbank Girozentrale, Toronto Branch, and Local Oklahoma Bank.

"New Canadian Lenders" means those financial institutions listed as a Canadian Lender on Annex II hereto that are not Canadian Lenders under the Original Agreement.

ARTICLE II.

Amendments to Original Agreement

Section 2.1. Defined Terms.

(a) The following definitions are hereby added to Annex I to the Original Agreement in alphabetical order:

"Canadian LC Collateral" means amounts delivered to Canadian Agent pursuant to Section 2.11 of the Canadian Agreement and held as security for Canadian LC Obligations and the other Canadian Obligations."

"Existing RBC Letters of Credit" means those "Letters of Credit" (as defined by the RBC Credit Agreement) issued pursuant to the RBC Credit Agreement and listed on any Transfer Notice (as defined in Section 10.24)."

"RBC Credit Agreement" means that certain Credit Agreement dated as of July 25, 2002, among the Canadian Borrowers, Royal Bank of Canada, individually and as administrative agent, and the financial institutions party thereto, as amended or supplemented."

(b) The following definitions in Annex I to the Original Agreement are hereby amended in their entirety to read as follows:

"Canadian Conversion Date' means the date which is 364 days after the date on which Canadian Borrowers execute and deliver to Canadian Agent the First Amendment to Amended and Restated Canadian Credit Agreement among Canadian Borrowers, Canadian Agent and Canadian Lenders, or such later day to which the Canadian Conversion Date is extended pursuant to Section 1.6 of the Canadian Agreement.

"Canadian LC Issuer' means, with respect to any Letter of Credit, the issuer of such Letter of Credit, which shall be, at the request of the applicable Canadian Borrower pursuant to Sections 2.6 of the Canadian Agreement, (a) Bank of America, (b) with respect to the Letters of Credit described in Section 10.24 or any other Letters of Credit consented to by Royal Bank of Canada, Royal Bank of Canada, or (c) another Canadian Lender that is approved by Canadian Agent and Canadian Borrowers and that agrees to be bound by the provisions of the Canadian Agreement as a Canadian LC Issuer in form acceptable to Canadian Agent and Canadian Borrowers, and their respective successors in such capacities."

"Unrestricted Subsidiary' means any corporation, association, partnership, limited liability company, joint venture, or other business or corporate entity, enterprise or organization (i) which is listed below in this definition, or (ii) in which US Borrower did not own an interest (directly or indirectly) as of the Closing Date, which thereafter became a Subsidiary of US Borrower and which, within 90 days after becoming a Subsidiary of US Borrower, was designated as an Unrestricted Subsidiary by US Borrower to US Agent; provided that (a) in the event any such Subsidiary becomes a Material Subsidiary at any time, such Subsidiary shall cease to be an Unrestricted Subsidiary at such time and shall automatically become a Restricted Subsidiary and

(b) US Borrower may convert any Unrestricted Subsidiary to a Restricted Subsidiary by delivering to US Agent written notice of such conversion signed by the Senior Vice President - Finance, the Senior Vice President - Corporate Finance and Development, the Vice President - Corporate Finance, the Treasurer or the Vice President - Accounting of US Borrower as of the effective date of such conversion, which notice shall certify the following conditions precedent: (1) after giving effect to such conversion, all representations and warranties in any Loan Document applicable to such Subsidiary shall be true in all material respects on and as of such date as if made on and as of the date of such conversion (except to the extent that the facts upon which such representations are based have been changed by the extension of credit hereunder), and (2) after giving effect to such conversion, no Default or Event of Default shall occur solely as a result of such conversion. The Subsidiaries of US Borrower listed on Attachment 1 to this Annex I shall initially be designated as Unrestricted Subsidiaries."

(c) The definition of "LC Collateral" in Annex I of the Original Agreement is hereby deleted in its entirety.

Section 2.2. Conversion Fees. Subsection (e) of Section 1.5 of the Original Agreement is hereby amended to replace the reference to "12.5 Basis Points" with "25 Basis Points".

Section 2.3. Letters of Credit.

(a) The Original Agreement is hereby amended to replace each reference to "LC Collateral" with "Canadian LC Collateral".

(b) Subsection (e) of Section 2.6 of the Original Agreement is hereby amended in its entirety to read as follows: "(e) [Intentionally Omitted];".

(c) The last sentence of Section 2.7 of the Original Agreement is hereby amended in its entirety to read as follows: "If any provisions of any LC Application conflict with any provisions of this Agreement or are inconsistent with the provisions of this Agreement, the provisions of this Agreement shall govern and control."

(d) The last sentence of clause (i) and clause (ii) of Subsection (a) of Section 2.8 of the Original Agreement is hereby amended to replace the reference to "Default Rate" with "Default Rate applicable to Canadian Base Rate Loans".

(e) Clause (a) of the first sentence of Section 2.9 of the Original Agreement is hereby amended to replace the reference to "payable on the date of issuance" with "payable, to the extent not previously paid, in arrears on the last day of each Fiscal Quarter".

(f) Section 2.11 of the Original Agreement is hereby amended in its entirety to read as follows:

"Section 2.11. Canadian LC Collateral.

(a) Canadian LC Obligations in Excess of Canadian Maximum Credit Amount. If, after the making of all mandatory prepayments required under Section 1.4(c), the outstanding Canadian LC Obligations will exceed Canadian Maximum Credit Amount, then in addition to prepayment of the entire principal balance of the Canadian Loans, the applicable Canadian Borrower will immediately pay to Canadian Agent an amount equal to such excess. Canadian Agent will hold such amount as Canadian LC Collateral to apply against the remaining Canadian LC Obligations outstanding under the Canadian Agreement and the other Canadian Obligations, and such Canadian LC Collateral may be applied from time to time to any Matured Canadian LC Obligations or other Canadian Obligations which are due and payable. Neither this subsection nor the following subsection shall, however, limit or impair any rights which Canadian Agent or Canadian LC Issuer may have under any other document or agreement relating to any Letter of Credit, Canadian LC Collateral or Canadian LC Obligation, including, subject to the last sentence of Section 2.7, any LC Application, or any rights which any Lender

Party may have to otherwise apply any payments by Canadian Borrowers and any Canadian LC Collateral under Section 3.1.

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

(c) Investment of Canadian LC Collateral. Pending application thereof, all Canadian LC Collateral shall be invested by Canadian Agent (i) at any time when no Default or Event of Default has occurred that is continuing, in such Cash Equivalents as Canadian Borrowers may direct in writing to US Agent and (ii) at any time when a Default or Event of Default has occurred that is continuing, in such Cash Equivalents as Canadian Agent may choose in its sole discretion. All interest on (and other proceeds of) such Investments shall be reinvested or applied to Matured Canadian LC Obligations or other Canadian Obligations of the applicable Canadian Borrower which are due and payable. When all Canadian Obligations have been satisfied in full, including all Canadian LC Obligations, all Letters of Credit have expired or been terminated, and all of the applicable Canadian Borrower's reimbursement obligations in connection therewith have been satisfied in full, Canadian Agent shall release to Canadian Borrowers any remaining Canadian LC Collateral.

(d) Grant of Security Interest. Each Canadian Borrower hereby assigns and grants to Canadian Agent a continuing security interest in all Canadian LC Collateral paid by it to Canadian Agent, all Investments purchased with such Canadian LC Collateral, and all proceeds thereof to secure its Matured Canadian LC Obligations and the other Canadian Obligations owing by it under the Canadian Loan Documents. Each Canadian Borrower further agrees that Canadian Agent shall have all of the rights and remedies of a secured party under the Personal Property Security Act (Alberta) with respect to such security interest and that an Event of Default under this Agreement shall constitute a default for purposes of such security interest. When either Canadian Borrower is required to provide Canadian LC Collateral for any reason and fails to do so on the day when required, Canadian Agent may without notice to Canadian Borrowers or any other Restricted Person provide such Canadian LC Collateral (whether by transfers from other accounts maintained with Canadian Agent, or otherwise) using any available funds of the applicable Canadian Borrower or any other Person also liable to make such payments."

Section 2.4. Gross Up. Section 3.2 of the Original Agreement is hereby amended as follows:

(a) to redesignate Subsection (f) thereof as Subsection (g),

(b) to replace the reference in such Subsection to "Except as provided in paragraphs (d) and (e) of this Section 3.2," with "Except as provided in subsections (d), (e), and (f) of this Section 3.2," and

(c) to add a new Subsection (f) thereto immediately following Subsection (e) thereof to read as follows:

"(f) If any Restricted Subsidiary executes and delivers a guaranty pursuant to Section 7.1(m) and is required by applicable Law to withhold and remit Withholding Taxes in respect of any payment made by it under such guaranty,

then:

(x) the sum payable by such Restricted Subsidiary shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section 3.2) each Lender Party receives an amount equal to the sum it would have received had no such deductions been made,

(y) such Restricted Subsidiary shall make such deductions, and

(z) such Restricted Subsidiary shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable Law."

Section 2.5. Indebtedness. Subsection (m) of Section 7.1 of the Original Agreement is hereby deleted and the following Subsections (m) and (n) are hereby added to Section 7.1 of the Original Agreement to read as follows:

"(m) with respect to any Restricted Subsidiary that assumes all or any portion of the Indebtedness described in Section 7.1(m)(i)(A) of the US Agreement or otherwise becomes liable for the payment thereof to the holders thereof, (A) such Restricted Subsidiary's obligations with respect to such Indebtedness and (B) other Indebtedness of such Restricted Subsidiary with respect to guaranties of Indebtedness of US Borrower and Devon Financing ULC, to the extent US Borrower is in compliance with the terms of Section 7.8 of the US Agreement at the time such guaranties are executed and delivered, provided that in each case such Restricted Subsidiary has executed and delivered guaranties in form substantially similar to the Devon Financing ULC Guaranties to Canadian Agent and US Agent, respectively, pursuant to the Canadian Agreement and the US Agreement."

"(n) miscellaneous items of Indebtedness of all Restricted Persons (other than US Borrower) not otherwise permitted in subsections (a) through (m) which do not in the aggregate exceed US \$500,000,000 in principal amount at any one time outstanding."

Section 2.6. Assignments and Participations. Subsection (a) of Section 10.6 of the Original Agreement is hereby amended to replace the reference to "\$20,000,000" with "\$10,000,000". The penultimate sentence of subsection (f) of Section 10.6 is hereby amended in its entirety to read as follows:

"If any Canadian LC Issuer resigns as a Canadian LC Issuer, it shall retain all the rights and obligations of a Canadian LC Issuer hereunder with respect to all Letters of Credit issued by it outstanding as of the effective date of its resignation as a Canadian LC Issuer and all Canadian LC Obligations with respect thereto (including the right to require the Canadian Lenders to make Canadian Prime Rate Loans or fund participations in unreimbursed amounts pursuant to Section 2.8)."

Section 2.7. Existing RBC Letters of Credit. The Original Agreement is hereby amended to add a new Section 10.24 thereto immediately following Section 10.23 thereof to read as follows:

"Section 10.24. Existing RBC Letters of Credit. Provided that all conditions precedent to the issuance of new Letters of Credit under this Agreement set forth in Sections 2.6 and 4.3 are satisfied with respect to the Royal Bank Letters of Credit described in the Transfer Notice referred to below (except that with respect to the condition set forth in clause 2.6(c), the date of expiration of such Royal Bank Letters of Credit shall be no more than one year after the date the Transfer Notice is received by Canadian Agent), upon receipt by Canadian Agent of written notice from the Canadian Borrowers and Royal Bank of Canada to transfer letters of credit issued under the RBC Credit Agreement to this Agreement which shall specifically describe such letters of credit (any such notice, a "Transfer Notice"), all obligations of any Canadian Borrower and any Subsidiary of any Canadian Borrower under the RBC Credit Agreement and any LC Application in respect of the Existing RBC Letters of Credit (including, but not limited to, all obligations to reimburse Royal Bank of Canada for drawings thereunder) (a) are affirmed and continued in full force and effect, subject to the last sentence of Section 2.7, under the terms of this Agreement and the other Canadian Loan Documents, (b) in the case of any such obligations of a Subsidiary of a Canadian Borrower, are assumed by such Canadian Borrower (with such Subsidiary being released of such obligations), and (c) shall constitute Canadian LC Obligations hereunder. The Existing RBC Letters of Credit shall be deemed to have been issued by Royal Bank of Canada (as Canadian LC Issuer) under, and the Canadian LC Obligations in respect thereof shall be governed by and have the benefits of, this Agreement, the related LC Applications (subject to the last sentence of Section 2.7) and the other Canadian Loan Documents."

Section 2.8. Unrestricted Subsidiaries. Attachment 1 to Annex I to the Original Agreement is hereby amended by adding the Subsidiaries set forth in Schedule 1 hereto.

Section 2.9. Lenders Schedule. Annex II to this Amendment is hereby substituted for Annex II to the Original Agreement.

Section 2.10. Waiver of Notice. Each Canadian Lender hereby waives the requirement under Section 1.6(a) of the Original Agreement that a Request for an Offer of Extension be made by a specific date prior to the current Canadian Conversion Date of June 6, 2003 and further agrees that the date for acceptance by Canadian Borrowers of the Offer of Extension made hereby shall be extended to June 5, 2003, notwithstanding the terms of Section 1.6(b) of the Original Agreement.

ARTICLE III.

Conditions of Effectiveness

Section 3.1. Effective Date. This Amendment shall become effective on the date (the "Effective Date") on which Canadian Borrowers have executed and delivered this Amendment to Canadian Agent (provided that Canadian Borrowers shall have executed this Amendment on or before June 5, 2003) and the following additional conditions are satisfied:

(a) Canadian Agent shall have received all of the following, at Canadian Agent's office, in form, substance and date satisfactory to Canadian Agent:

(i) this Amendment, duly executed by Canadian Borrowers, Canadian Agent and all Canadian Lenders (other than the Exiting Canadian Lenders).

(ii) a Canadian Note and a Competitive Bid Note duly executed by each Canadian Borrower payable to each New Canadian Lender and a Canadian Note to each other Canadian Lender whose Percentage Share of the Canadian Maximum Credit Amount is changing after giving effect to the provisions of this Amendment.

(iii) a certificate of the Vice President - Finance or the Treasurer of each Canadian Borrower dated the date of this Amendment certifying: (1) that all of the representations and warranties set forth in Article IV hereof are true and correct at and as of such date, and (2) that no Default exists at and as of such date.

(iv) a Consent and Agreement, duly executed by each Canadian Guarantor.

(b) Canadian Borrowers shall have paid on or before such effective date all fees and reimbursements to be paid to Canadian Agent and Canadian Lenders pursuant to any Canadian Loan Documents, or otherwise due Canadian Agent or Canadian Lenders and including fees and disbursements of Canadian Agent's attorneys.

Section 3.2. Special Effective Date Provisions.

(a) From and after the Effective Date, (i) each Exiting Canadian Lender shall cease to be a Canadian Lender under the Canadian Agreement, (ii) no Exiting Canadian Lender shall have any obligations or liabilities under the Canadian Agreement as a Canadian Lender with respect to the period from and after the Effective Date, and, without limiting the foregoing, no Exiting Canadian Lender shall have any commitment to make Canadian Loans under the Canadian Agreement and (iii) no Exiting Canadian Lender shall have any rights as a Canadian Lender under the Canadian Agreement or any other Canadian Loan Document (other than rights under the Canadian Agreement expressly stated to survive the termination of the Canadian Agreement and the repayment of amounts outstanding thereunder). Canadian Borrowers and Canadian Lenders hereby authorize Canadian Agent to enter into appropriate documentation with the Exiting Canadian Lenders confirming the foregoing provisions of this subsection.

(b) From and after the Effective Date, each New Canadian Lender (i) agrees that it shall be bound by the provisions of the Canadian Agreement as a Canadian Lender thereunder and shall have the obligations of a Canadian Lender thereunder, (ii) confirms that it has received a copy of the Canadian Agreement, together with copies of the most recent financial statements delivered pursuant to Section 6.2 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Amendment and to become a Canadian Lender on the basis of which it has made such analysis and decision independently and without reliance on Canadian Agent or any other Canadian Lender, (iii) appoints and authorizes Canadian Agent to take such action as agent on its behalf and to exercise such powers as it deems necessary under the Canadian Agreement and any other Canadian Loan Document as are delegated to Canadian Agent by the terms thereof, together with such powers as are reasonably incidental thereto and (iv) agrees that (1) it will, independently and without reliance on Canadian Agent or any other Canadian Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Canadian Loan Documents, and (2) it will perform in accordance with their terms all of the obligations which by the terms of the Canadian Loan Documents are required to be performed by it as a Canadian Lender.

(c) Canadian Lenders hereby authorize Canadian Agent and Canadian Borrowers (i) in the event any Canadian Loans are outstanding on the Effective Date, to request Canadian Loans from the Canadian Lenders (other than the Exiting Canadian Lenders), to make prepayments of Canadian Loans, and (ii) to re-allocate commitments under the Canadian Agreement among Canadian Lenders in order to ensure that, upon the effectiveness of this Amendment, the Canadian Loans (if any) and commitments of Canadian Lenders shall be outstanding on a ratable basis in accordance with their respective Percentage Shares, and no such borrowing, prepayment or re-allocation shall violate any provisions of the Canadian Agreement. Canadian Lenders hereby waive any requirements for minimum amounts of prepayments of Canadian Loans, ratable re-allocations of the Percentage Shares of Canadian Lenders under the Canadian Agreement and ratable payments on account of the principal or interest of any Canadian Loan under the Canadian Agreement to the extent such prepayment, re-allocation or payments are required pursuant to this subsection.

(d) From and after the Effective Date, Royal Bank of Canada agrees that it shall be bound by the provisions of the Canadian Agreement as a Canadian LC Issuer thereunder and shall have the obligations of a Canadian LC Issuer thereunder, but solely with respect to the Letters of Credit described in the definition of "Canadian LC Issuer" thereunder.

ARTICLE IV.

Representations and Warranties

Section 4.1. Representations and Warranties of Canadian Borrowers. In order to induce the Canadian Lenders to enter into this Amendment, each Canadian Borrower represents and warrants to each Canadian Lender that:

(a) The representations and warranties contained in Article V of the Original Agreement are true and correct at and as of the time of the effectiveness hereof, except to the extent that the facts on which such representations and warranties are based have been changed by the extension of credit under the Canadian Agreement.

(b) Each Canadian Borrower is duly authorized to execute and deliver this Amendment and is and will continue to be duly authorized to borrow monies and to perform its obligations under the Canadian Agreement. Each Canadian Borrower has duly taken all corporate action necessary to authorize the execution and delivery of this Amendment and to authorize the performance of the obligations of such Canadian Borrower hereunder.

(c) The execution and delivery by each Canadian Borrower of this Amendment, the performance by each of its obligations hereunder and the consummation of the transactions contemplated hereby do not and will not (i) conflict with any provision of (A) any Law, (B) the organizational documents of any Canadian Borrower, or (C) any agreement, judgment, license, order or permit applicable to or binding upon any Canadian Borrower unless such conflict would not reasonably be expected to have a Material Adverse Effect, or (ii) result in or require the creation of any Lien upon any assets or properties of any Canadian Borrower which would reasonably be expected to have a Material Adverse Effect, except as expressly contemplated or permitted in the Loan Documents. Except as expressly contemplated in the Loan Documents no consent, approval, authorization or order of, and no notice to or filing with, any Tribunal or third party is required in connection with the execution, delivery or performance by any Canadian Borrower of this Amendment or to consummate any transactions contemplated by this Amendment, unless failure to obtain such consent would not reasonably be expected to have a Material Adverse Effect.

(d) When duly executed and delivered, each of this Amendment and the Canadian Agreement will be a legal and binding obligation of each Canadian Borrower, enforceable in accordance with its terms, except as limited by bankruptcy, insolvency or similar laws of general application relating to the enforcement of creditors' rights and by equitable principles of general application.

(e) The audited annual Consolidated financial statements of US Borrower dated as of December 31, 2002 and the unaudited quarterly Consolidated financial statements of US Borrower dated as of March 31, 2003 fairly present the Consolidated financial position at such dates and the Consolidated statement of operations and the changes in Consolidated financial position for the periods ending on such dates for US Borrower. Copies of such financial statements have heretofore been delivered to each Canadian Lender. Since such dates no material adverse change has occurred in the Consolidated financial condition or businesses of US Borrower.

ARTICLE V.

Miscellaneous

Section 5.1. Ratification of Agreements. The Original Agreement as hereby amended and restated is hereby ratified and confirmed in all respects. The Canadian Loan Documents, as they may be amended or affected by this Amendment, are hereby ratified and confirmed in all respects. Any reference to the Canadian Agreement in any Loan Document shall be deemed to be a reference to the Original Agreement as hereby amended. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of Canadian Lenders under the Canadian Agreement or any other Canadian Loan Document nor constitute a waiver of any provision of the Canadian Agreement or any other Canadian Loan Document.

Section 5.2. Survival of Agreements. All representations, warranties, covenants and agreements of Canadian Borrowers herein shall survive the execution and delivery of this Amendment and the performance hereof, and shall further survive until all of the Canadian Obligations are paid in full. All statements and agreements contained in any certificate or instrument delivered by Canadian Borrowers or any Restricted Person hereunder or under the Canadian Agreement to any Canadian Lender shall be deemed to constitute representations and warranties by, and/or agreements and covenants of, Canadian Borrowers under this Amendment and under the Canadian Agreement.

Section 5.3. Canadian Loan Documents. This Amendment is a Canadian Loan Document, and all provisions in the Canadian Agreement pertaining to Canadian Loan Documents apply hereto.

Section 5.4. Governing Law. This Amendment shall be governed by and construed in accordance the laws of the Province of Alberta and any applicable laws of Canada in all respects, including construction, validity and performance.

Section 5.5. Counterparts; Fax. This Amendment may be separately executed in counterparts and by the different parties hereto in separate counterparts, each of which when so executed shall be deemed to constitute one and the same Amendment. This Amendment may be validly executed by facsimile or other electronic transmission.

THIS AMENDMENT AND THE OTHER CANADIAN LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS OF THE PARTIES.

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

NORTHSTAR ENERGY CORPORATION
Canadian Borrower

By: /s/ Paul Brereton

Paul Brereton
Vice President - Finance

DEVON CANADA CORPORATION
Canadian Borrower

By: /s/ Paul Brereton

Paul Brereton
Vice President - Finance

BANK OF AMERICA, N.A., acting through its Canadian branch, Canadian Agent, Canadian LC Issuer and Lender

By: /s/ Medina Sales de Andrade

Name: Medina Sales de Andrade
Title: Assistant Vice President

ROYAL BANK OF CANADA, Canadian LC
Issuer and Lender

By: /s/ Linda M. Stephens

Name: Linda M. Stephens
Title: Senior Manager

ABN AMRO BANK, N.V., CANADA BRANCH

Lender

By: /s/ Lawrence J. Maloney

Name: Lawrence J. Maloney
Title: Senior Vice President

By: /s/ David Moore

Name: David Moore
Title: Group Vice President

BANK OF MONTREAL

Lender

By: /s/ James V. Ducote

Name: James V. Ducote
Title: Director

BANK OF OKLAHOMA, N.A.

Lender

By: /s/ T. Coy Gallatin

Name: T. Coy Gallatin
Title: Senior Vice President

BANK ONE, NA, CANADA BRANCH

Lender

By: /s/ Pete S. Torres

Name: Pete S. Torres
Title: Director

BARCLAYS BANK PLC
Lender

By: /s/ Nicholas A. Bell

Name: Nicholas A. Bell
Title: Director
Loan Transaction Management

BNP PARIBAS
Lender

By: /s/ Brian M. Malone

Name: Brian M. Malone
Title: Managing Director

By: /s/ Gabe Ellisor

Name: Gabe Ellisor
Title: Vice President

CITIBANK, N.A., Canadian branch Lender

By: /s/

Name:
Title:

CREDIT LYONNAIS NEW YORK BRANCH
Lender

By: /s/ Olivier Audemard

Name: Olivier Audemard
Title: Senior Vice President

CREDIT SUISSE FIRST BOSTON

Lender

By: /s/ Alain Daoust

Name: Alain Daoust
Title: Director

By: /s/ Peter Chauvin

Name: Peter Chauvin
Title: Vice President

DEN NORSKE BANK ASA

Lender

By: /s/ Nils Fykse

Name: Nils Fykse
Title: Senior Vice President

By: /s/ Stig Kristiansen

Name: Stig Kristiansen
Title: Vice President

DEUTSCHE BANK AG, CANADA BRANCH

Lender

By: /s/ Robert A. Johnston

Name: Robert A. Johnston
Title: Vice President

By: /s/ Maria Gorzen

Name: Maria Gorzen
Title: Vice President

ING CAPITAL, LLC
Lender

By: /s/ Ronald Scherpenhuijsen Rom

Name: Ronald Scherpenhuijsen Rom
Title: Managing Director

JPMORGAN CHASE BANK, TORONTO BRANCH
Lender

By: /s/ Russell A. Johnson

Name: Russell A. Johnson
Title: Vice President

MERRILL LYNCH CAPITAL CANADA INC.
Lender

By: /s/ Susan Rimmer

Name: Susan Rimmer
Title: Chief Financial Officer
Merrill Lynch Financial Assets Inc.

MORGAN STANLEY SENIOR FUNDING, INC.
CANADIAN DIVISION
Lender

By: /s/

Name:
Title:

SOCIETE GENERALE
Lender

By: /s/ Spencer N. Smith

Name: Spencer N. Smith
Title: Vice President

SOUTHWEST BANK OF TEXAS, N.A.

Lender

By: /s/ Bryan Chapman

Name: Bryan Chapman

Title: Vice President, Energy Lending

THE BANK OF NEW YORK

Lender

By: /s/ Peter W. Keller

Name: Peter W. Keller

Title: Vice President

THE BANK OF NOVA SCOTIA

Lender

By: /s/ Matt van Remmen

Name: Matt van Remmen

Title: Associate

THE BANK OF TOKYO - MITSUBISHI, LTD.

Lender

By: /s/ Kelton Glasscock

Name: Kelton Glasscock

Title: VP & Manager

By: /s/ Jay Fort

Name: Jay Fort

Title: Vice President

UBS AG, CAYMAN ISLANDS BRANCH

Lender

By: /s/ Patricia O'Kicki

Name: Patricia O'Kicki
Title: Director

By: /s/ Wilfred Saint

Name: Wilfred Saint
Title: Associate Director

UMB BANK, n.a.

Lender

By: /s/ Richard J. Lehrter

Name: Richard J. Lehrter
Title: Community Bank President

**WACHOVIA BANK, NATIONAL
ASSOCIATION**

Lender

By: /s/ James Kipp

Name: James Kipp
Title: Managing Director

WELLS FARGO BANK TEXAS, N.A.

Lender

By: /s/ Dustin S. Hansen

Name: Dustin S. Hansen
Title: Assistant Vice President

First Amendment

CONSENT AND AGREEMENT

Each undersigned Guarantor hereby (i) consents to the provisions of this Amendment and the transactions contemplated herein, (ii) ratifies and confirms its Guaranty dated as of June 7, 2002 made by it for the benefit of Canadian Agent and Lenders executed pursuant to the Canadian Agreement and the other Canadian Loan Documents, (iii) agrees that all of its respective obligations and covenants thereunder shall remain unimpaired by the execution and delivery of this Amendment and the other documents and instruments executed in connection herewith, and (iv) agrees that such Guaranty and such other Canadian Loan Documents shall remain in full force and effect.

DEVON FINANCING CORPORATION, U.L.C.

By: /s/ Brian J. Jennings

Name: Brian J. Jennings

Title: Senior Vice President

DEVON ENERGY CORPORATION

By: /s/ Brian J. Jennings

Name: Brian J. Jennings

Title: Senior Vice President-
Corporate Finance and Development

EXHIBIT 10.3

AMENDMENT NO. 1

AMENDMENT NO. 1 (this "Amendment"), dated as of May 30, 2003, to that certain Credit Agreement, dated as of October 12, 2001 (the "Credit Agreement"; capitalized terms used herein and not defined shall have the meanings set forth in the Credit Agreement), among DEVON ENERGY CORPORATION ("US Borrower"), DEVON FINANCING CORPORATION, U.L.C. ("Canadian Borrower" and, together with US Borrower, the "Borrowers"), UBS AG, STAMFORD BRANCH, as Administrative Agent (the "Administrative Agent"), and the lenders from time to time party thereto.

WITNESSETH:

WHEREAS, subsection 10.1 of the Credit Agreement permits the Credit Agreement to be amended from time to time;

NOW, THEREFORE, in consideration of the foregoing, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

SECTION ONE. Amendments.

(a) Unrestricted Subsidiaries. (i) The first sentence of the definition of "Unrestricted Subsidiary" in Section 2.1 of the Credit Agreement shall be replaced in its entirety with the following:

"Unrestricted Subsidiary" means any corporation, association, partnership, limited liability company, joint venture, or other business or corporate entity, enterprise or organization (a) which is listed below in this definition, or (b) in which US Borrower did not own an interest (directly or indirectly) as of the Closing Date, which thereafter became a Subsidiary of US Borrower and which, within 90 days after becoming a Subsidiary of US Borrower, was designated as an Unrestricted Subsidiary by US Borrower to Administrative Agent; provided that (i) in the event any such Subsidiary becomes a Material Subsidiary at any time, such Subsidiary shall cease to be an Unrestricted Subsidiary at such time and shall automatically become a Restricted Subsidiary and (ii) US Borrower may, from time to time, designate any Unrestricted Subsidiary as a Restricted Subsidiary by a written notice to Administrative Agent signed by the Senior Vice President--Finance, the Senior Vice President, Corporate Finance and Development, the Vice President--Corporate Finance, the Treasurer or the Vice President--Accounting of US Borrower, which notice shall certify the following conditions precedent: (1) after giving effect to such conversion, all representations and warranties in any Loan Document applicable

to such Subsidiary shall be true in all material respects on and as of such date as if made on and as of the date of such conversion (except to the extent that the facts upon which such representations are based have been changed by the extension of credit hereunder), and (2) after giving effect to such conversion, no Default or Event of Default shall occur solely as a result of such conversion."

(ii) The following additional Subsidiaries of US Borrower shall be designated as Unrestricted Subsidiaries in the definition of "Unrestricted Subsidiary":

(147)	308819 Alberta Ltd.
(148)	Amax Petroleum of Canada Inc.
(149)	Anderson Exploration Inc.
(150)	Home Oil Company Limited
(151)	382817 Alberta Ltd.
(152)	2861259 Canada Inc.
(153)	Bridger Petroleum Corporation
(154)	Devon ARL Corporation
(155)	Home Hydrocarbons Inc.
(156)	Home Oil Resources Ltd.
(157)	Independent Pipe Line Company
(158)	Numac Energy Inc.
(159)	Plains Petroleums Limited
(160)	Scurry Rainbow Oil (Sask) Ltd.
(161)	The Winnipeg Western Land Corporation Limited
(162)	Numac Energy (Cenako) Inc.
(163)	Numac Energy (US) Inc.
(164)	Smart On Resources Inc.
(165)	DEC Operating, Inc.
(166)	Devon Gas Corporation
(167)	Devon MND Service, Inc.
(168)	Mitchell Resorts, Inc.
(169)	MND Exploration & Production, Inc.
(170)	The Woodlands Venture Capital Company
(171)	Acacia Natural Gas Corporation
(172)	Devon Gas Operating, Inc.
(173)	Devon Louisiana Gas Services, Inc.
(174)	MND Gas Services L.L.C.
(175)	Southwestern Gas Pipeline, Inc.
(176)	Louisiana Chalk Gathering System

(177) Louisiana Chalk Marketing Services
(178) Devon Gas Services L.P.
(179) Belvieu Environmental Fuels
(180) Gulf Coast Fractionators
(181) Big Sky Gas Marketing Corporation
(182) CJSC Tatex
(183) Energy Arrow Exploration, L.L.C.
(184) GAJH 1989 Limited Partnership
(185) Global Natural Resources Inc.
(186) Havre Pipeline Co. L.L.C.
(187) Indonesian Trust Asset (Held Directly in OIL)
(188) Lion G.P.I. Corporation
(189) Ocean Angola Corporation
(190) Ocean Angola (Ten), Ltd.
(191) Ocean Angola (Twenty-Four), Ltd.
(192) Ocean Brazil Santos Limiteda
(193) Ocean (CI-01) Corporation
(194) Ocean (CI-02) Corporation
(195) Ocean (CI-105), Ltd.
(196) Ocean (Cote d'Ivoire), Ltd.
(197) Ocean East Zeit Petroleum, Ltd.
(198) Ocean (Egypt) East Beni Suef, Ltd.
(199) Ocean (Egypt), Ltd.
(200) Ocean Energy (Argentina), Inc.
(201) Ocean Energy International, LLC
(202) Ocean Energy Limiteda
(203) Ocean Energy Nigeria Limited
(204) Ocean Energy (242) Limited
(205) Ocean Equatorial Guinea Corporation
(206) Ocean Field Services Company
(207) Ocean International Holdings, Ltd.
(208) Ocean International, Ltd.
(209) Ocean Khalique El Zeit, Ltd
(210) Ocean North Zeit Bay, Ltd.
(211) Ocean Offshore, Ltd.
(212) Ocean Pakistan, Ltd.
(213) Ocean Permian, LLC
(214) Ocean Ras Abu Darag, Ltd.
(215) Ocean SW Gebel El-Zeit, Ltd.
(216) Ocean South East July, Ltd.
(217) Ocean Syria (Block 26), Ltd.
(218) Ocean WAG Petroleum Ltd.

(219) Ocean Yemen Corporation
(220) Orion 1981 Drilling Fund Ltd. - Variable Interest
(221) Seagull Marketing Services, Inc.
(222) Seagull Pipeline & Marketing, Inc.
(223) Seagull Series 1995 Trust Delaware Partnership 1%
(224) Texneft Inc.
(225) Thousand Oaks Development Corp. J.V.
(226) DEC Capital S.A.R.L.
(227) DEC Second Capital S.A.R.L.
(228) Devon AOG Corporation
(229) Devon Energy Angola, Ltd.
(230) Devon Energy Charitable Foundation
(231) Devon Energy Eurasia, Ltd.
(232) Devon Energy West Africa, Ltd.
(233) Pivotal Funding Company L.P.
(234) Tall Grass Gas Services
(235) Devon Energy Ghana Holdings, Ltd.
(236) Devon Exploration do Brazil Ltda.
(237) Devon Financing Trust II
(238) Santa Fe Energy Trust
(239) SFER (Barbados) Ltd."

(b) Section 7.1(a). Section 7.1(a) of the Credit Agreement shall be replaced in its entirety with the following:

"(a) (i) with respect to Canadian Borrower, (A) its Obligations hereunder and (B) so long as the Devon Financing Guaranty is in effect, (1) the Indebtedness in respect of the Devon Financing Debentures and the Devon Financing Guaranty and (2) guaranties by the Canadian Borrower of Indebtedness of the US Borrower which is otherwise permitted to be incurred by the US Borrower in accordance with this Agreement; and

(ii) with respect to any Restricted Subsidiary that assumes the payment obligations of the Canadian Borrower under the Devon Financing Debentures or otherwise becomes liable for such payment obligations to the holders thereof, so long as such Restricted Subsidiary has executed and delivered to the Administrative Agent for the benefit of the Lender Parties a guaranty in form substantially similar to the Devon Financing Guaranty and only so long as such guaranty is in full force and effect, (A) Indebtedness in respect of such obligations and (B) guaranties by such Restricted Subsidiary of Indebtedness of the US Borrower or the Canadian Borrower which is otherwise permitted to be incurred by the US Borrower or the Canadian Borrower in accordance

with this Agreement to the extent US Borrower is in compliance with Section 7.7 at the time such guaranty is delivered."

(c) Section 7.4(a). Section 7.4(a) of the Credit Agreement shall be replaced in its entirety with the following:

"(a) No Restricted Subsidiary of US Borrower will issue any additional shares of its capital stock, additional partnership interests or other securities or any options, warrants or other rights to acquire such additional shares, partnership interests or other securities except to US Borrower or another Restricted Person which is a wholly-owned direct or indirect Subsidiary of US Borrower unless (i) such securities are being issued to acquire a business, directly or indirectly through the use of the proceeds of such issuance, and (ii) such securities are convertible into the common or similar securities of US Borrower and/or may be redeemed in cash at the option of the Restricted Person that issued such securities. Notwithstanding the foregoing, this Section 7.4 shall not prohibit any transaction permitted pursuant to Section 7.4 of the Existing US Credit Facility as in effect on the date hereof whether or not terminated."

(d) Section 10.20. A new Section 10.20 shall be added to the Credit Agreement by adding the following language

"Section 10.20 Authorizations. Certificates and/or notices referred to in the definition of "Disclosure Report" and Sections 6.2(a) and (b) hereof which may be signed by the Senior Vice President - Finance of US Borrower are permitted to be signed by the Senior Vice President - Finance, Senior Vice President - Corporate Finance and Development or the Vice President - Corporate Finance without violating any of the aforementioned requirements."

SECTION TWO. Conditions to Effectiveness. This Amendment shall become effective as of the date (the "Effective Date") when, and only when, the Administrative Agent shall have received counterparts of this Amendment executed by the Borrowers and the Required Lenders. The effectiveness of this Amendment (other than Sections Five, Six and Seven hereof) is conditioned upon the accuracy of the representations and warranties set forth in Section Three hereof.

SECTION THREE. Representations and Warranties. In order to induce the Lenders and the Agents to enter into this Amendment, the Borrower represents and warrants to each of the Lenders and the Agents that after giving effect to this Amendment, and both before and after giving effect to transactions contemplated by this Amendment

(a) no Default or Event of Default has occurred and is continuing;

(b) all of the representations and warranties in the Credit Agreement are true and complete in all material respects on and as of the date hereof as if made on the date hereof (or, if any such representation or warranty is expressly stated to have been made as of a specific date, as of such specific date);

(c) the Subsidiaries identified as "Unrestricted Subsidiaries" under the Credit Agreement immediately after giving effect to this Amendment will be identical to the list of "Unrestricted Subsidiaries" under the Amended and Restated US Credit Agreement dated as of June 7, 2002, among US Borrower, Canadian Borrower, Bank of America, N.A., as Administrative Agent, and the lenders from time to time party thereto, as amended by the First Amendment thereto; and

(d) no Unrestricted Subsidiary is a Material Subsidiary.

SECTION FOUR. Reference to and Effect on the Credit Agreement and the Notes. On and after the Effective Date, each reference in the Credit Agreement to "this Agreement," "hereunder," "hereof" or words of like import referring the Credit Agreement, and each reference in the Notes and each of the Loan Documents to "the Credit Agreement," "thereunder," "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Amendment. The Credit Agreement, the Notes and each of the other Loan Documents, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or any Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

SECTION FIVE. Costs, Expenses and Taxes. Borrower agrees to pay all reasonable out-of-pocket costs and expenses of the Agents in connection with the preparation, execution and delivery of this Amendment and the other instruments and documents to be delivered hereunder, if any (including, without limitation, the reasonable fees and expenses of Cahill Gordon & Reindel LLP, counsel to the Lenders) in accordance with the terms of subsection 10.4(a) of the Credit Agreement.

SECTION SIX. Execution in Counterparts. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION SEVEN. Governing Law. THIS AMENDMENT SHALL BE DEEMED A CONTRACT AND INSTRUMENT MADE UNDER THE LAWS OF THE

STATE OF NEW YORK AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF NEW YORK AND THE LAWS OF THE UNITED STATES OF AMERICA.

[Signature Pages Follow]

DEVON ENERGY CORPORATION

By: /s/ Brian J. Jennings

Name: Brian J. Jennings
Title: Senior Vice President

DEVON FINANCING CORPORATION, U.L.C.

By: /s/ Brian J. Jennings

Name: Brian J. Jennings
Title: Senior Vice President

**UBS AG, STAMFORD BRANCH,
as Administrative Agent & Lender**

By: /s/ Robert Reuter

Name: Robert Reuter
Title: Executive Director

By: /s/ Lynn B. Alfarone

Name: Lynn B. Alfarone
Title: Associate Director
Banking Products Services, US

ABN AMRO BANK, N.V.

By: /s/ Frank R. Russo, Jr.

Name: Frank R. Russo, Jr.
Title: Group Vice President

By: /s/ Quandra L. Kelley

Name: Quandra L. Kelley
Title: Assistant Vice President

BANCO ESPIRITO SANTOS, S.A.

By: /s/ Andrew M. Orsen

Name: Andrew M. Orsen
Title: Vice President

By: /s/ Terry R. Hull

Name: Terry R. Hull
Title: Senior Vice President

**BANK OF AMERICA, N.A.,
as Syndication Agent and Lender**

By: /s/ Richard L. Stein

Name: Richard L. Stein
Title: Principal

THE BANK OF NEW YORK

By: /s/ Peter W. Keller

Name: Peter W. Keller
Title: Vice President

Citibank, N.A.

By: /s/ Todd J. Mogil

Name: Todd J. Mogil
Title: Attorney-in-fact

Credit Suisse First Boston

By: /s/ James Moran

Name: James Moran
Title: Director

Den norske Bank ASA

By: /s/ Nils Fykse

Name: Nils Fykse
Title: Senior Vice President

By: /s/ Stig Kristiansen

Name: Stig Kristiansen
Title: Vice President

**DEUTSCHE BANK AG NEW YORK
BRANCH**

By: /s/ Philippe Sandmeier

Name: Philippe Sandmeier
Title: Director

By: /s/ Oliver Riedinger

Name: Oliver Riedinger
Title: Vice President

JPMorgan Chase Bank

By: /s/ Russell A. Johnson

Name: Russell A. Johnson
Title: Vice President

Wachovia Bank, National Association

By: /s/ Russell Clingman

Name: Russell Clingman
Title: Director

CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, J. Larry Nichols, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Devon Energy Corporation;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
 3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
-

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2003

/s/ J. Larry Nichols

J. Larry Nichols
Chief Executive Officer

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 302 HAS BEEN PROVIDED TO DEVON AND WILL BE RETAINED BY DEVON AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, William T. Vaughn, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Devon Energy Corporation;
 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
 3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
 4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
 5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent function):
-

(a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2003

/s/ William T. Vaughn

William T. Vaughn
Chief Financial Officer

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 302 HAS BEEN PROVIDED TO DEVON AND WILL BE RETAINED BY DEVON AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Report of Devon Energy Corporation (“Devon”) on Form 10-Q for the period ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, J. Larry Nichols, Chief Executive Officer of Devon, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Devon.

/s/ J. Larry Nichols

J. Larry Nichols
Chief Executive Officer
August 12, 2003

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN PROVIDED TO DEVON AND WILL BE RETAINED BY DEVON AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Report of Devon Energy Corporation (“Devon”) on Form 10-Q for the period ended June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, William T. Vaughn, Chief Financial Officer of Devon, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Devon.

/s/ William T. Vaughn

William T. Vaughn
Chief Financial Officer
August 12, 2003

A SIGNED ORIGINAL OF THIS WRITTEN STATEMENT REQUIRED BY SECTION 906 HAS BEEN PROVIDED TO DEVON AND WILL BE RETAINED BY DEVON AND FURNISHED TO THE SECURITIES AND EXCHANGE COMMISSION OR ITS STAFF UPON REQUEST.

End of Filing

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