DEVON ENERGY CORP /OK/

FORM 10-Q
(Quarterly Report)

Filed 10/21/97 for the Period Ending 09/30/97

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

DEVON ENERGY CORP /OK/

FORM 10-Q
(Quarterly Report)

Filed 10/21/1997 For Period Ending 9/30/1997

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

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

X Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

OR

Transition Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For Quarter Ended September 30, 1997
Commission File No. 1-10067

DEVON ENERGY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Oklahoma (State or Other Jurisdiction of Incorporation or Organization)	73-1474008 (I.R.S. Employer Identification Number)
20 North Broadway, Suite 1500 Oklahoma City, Oklahoma (Address of Principal Executive Offices)	73102 (Zip Code)

Registrant's telephone number, including area code: (405) 235-3611

Not applicable

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No .

The number of shares outstanding of Registrant's common stock, par value $.10, as of October 14, 1997, was 32,318,895.

(Exhibit Index is found at page 28)

DEVON ENERGY CORPORATION

Index to Form 10-Q Quarterly Report

to the Securities and Exchange Commission

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Part I. Financial Information

Item 1. Consolidated Financial Statements

Part II. Other Information

DEVON ENERGY CORPORATION

Part I. Financial Information

Item 1. Consolidated Financial Statements September 30, 1997 and 1996

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

DEVON ENERGY CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

		September 30, 1997 (Unaudited)	December 31, 1996
Assets			
Current assets:			
Cash and cash equivalents	$	37,947,666	9,401,350
Accounts receivable		42,234,131	29,580,306
Inventories		2,166,662	2,103,486
Prepaid expenses		1,257,203	688,752
Deferred income taxes		1,600,000	1,600,000
Total current assets		85,205,662	43,373,894
Property and equipment, at cost, based on the full cost method of accounting for oil and gas properties		1,062,816,198	974,805,756
Less: Accumulated depreciation, depletion and amortization		341,619,932	281,959,410
		721,196,266	692,846,346
Other assets		14,262,410	10,030,560
Total assets	$	820,664,338	746,250,800
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable:			
Trade		12,433,487	4,861,428
Revenues and royalties due to others		10,731,609	10,569,960
Income taxes payable		-	4,705,447
Accrued expenses		2,505,694	3,503,420
Total current liabilities		25,670,790	23,640,255
Revenues and royalties due to others		1,044,654	1,053,270
Other liabilities		13,279,281	10,325,999
Long-term debt		-	8,000,000
Deferred revenue		18,163	205,859
Deferred income taxes		104,544,000	81,121,000
Company-obligated mandatorily redeemable convertible preferred securities of Devon Financing Trust holding solely 6.5% convertible junior subordinated debentures of Devon Energy Corporation		149,500,000	149,500,000
Stockholders' equity:			
Preferred stock of $1.00 par value. Authorized 3,000,000 shares; none issued		-	-
Common stock of $.10 par value. Authorized 120,000,000 shares; issued 32,293,695 in 1997 and 32,141,295 in 1996		3,229,370	3,214,130
Additional paid-in capital		391,190,915	388,090,930
Retained earnings		132,632,144	81,099,357
Cumulative currency translation adjustment		(444,979)	-
Total stockholders' equity		526,607,450	472,404,417
Total liabilities and stockholders' equity	$	820,664,338	746,250,800

See accompanying notes to consolidated financial statements.

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

	Three Months Ended September 30, 1997	Three Months Ended September 30, 1996	Nine Months Ended September 30, 1997	Nine Months Ended September 30, 1996
Revenues				
Oil sales	$31,267,250	20,342,307	100,857,256	55,994,559
Gas sales	34,044,149	15,289,596	107,458,126	44,123,924
Natural gas liquids sales	5,206,135	3,375,507	16,534,020	9,366,377
Other	2,342,969	466,270	5,562,529	1,335,493
Total revenues	72,860,503	39,473,680	230,411,931	110,820,353
Costs and expenses				
Lease operating expenses	15,814,690	7,622,554	46,155,611	22,795,807
Production taxes	4,109,654	2,587,664	13,165,045	7,075,577
Depreciation, depletion and amortization	20,246,574	11,046,617	60,388,870	31,634,780
General and administrative expenses	2,992,104	2,139,647	9,228,599	6,664,597
Interest expense	90,146	230,775	249,184	5,172,855
Distributions on preferred securities of subsidiary trust	2,429,375	2,323,750	7,288,126	2,323,750
Total costs and expenses	45,682,543	25,951,007	136,475,435	75,667,366
Earnings before income taxes	27,177,960	13,522,673	93,936,496	35,152,987
Income tax expense				
Current	5,546,000	1,758,000	14,091,000	4,570,000
Deferred	5,326,000	4,057,000	23,484,000	10,546,000
Total income tax expense	10,872,000	5,815,000	37,575,000	15,116,000
Net earnings	$16,305,960	7,707,673	56,361,496	20,036,987
Net earnings per average common share outstanding (Note 2):				
Assuming no dilution	$0.51	0.35	1.75	0.91
Assuming full dilution	$0.47	0.35	1.62	0.91
Weighted average common shares outstanding	32,235,002	22,130,896	32,181,077	22,121,757

See accompanying notes to consolidated financial statements.

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

	Nine Months Ended September 30, 1997	Nine Months Ended September 30, 1996
Cash flows from operating activities		
Net earnings	$ 56,361,496	20,036,987
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, depletion and amortization	60,388,870	31,634,780
(Gain) loss on sale of assets	(155,040)	26,191
Deferred income taxes	23,484,000	10,546,000
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(12,138,238)	(4,304,455)
Inventories	(73,883)	(195,490)
Prepaid expenses	(568,739)	(622,671)
Other assets	(767,123)	609,654
Increase (decrease) in:		
Accounts payable	8,444,761	(4,730,276)
Income taxes payable	(4,705,447)	1,865,773
Accrued expenses	(1,173,599)	421,752
Revenues and royalties due to others	(8,616)	235,051
Deferred revenue	(187,696)	240,942
Long-term other liabilities	49,298	376,242
Net cash provided by operating activities	128,950,044	56,140,480
Cash flows from investing activities		
Proceeds from sale of property and equipment	1,436,610	1,824,009
Capital expenditures	(91,418,731)	(65,765,581)
Increase in other assets	(2,700,941)	-
Net cash used in investing activities	(92,683,062)	(63,941,572)
Cash flows from financing activities		
Proceeds from borrowings on revolving line of credit	1,847,750	21,000,000
Principal payments on revolving line of credit	(9,843,750)	(159,000,000)
Issuance of common stock	3,115,223	159,125
Issuance of preferred securities of subsidiary trust, net of issuance costs	-	144,888,879
Dividends paid on common stock	(4,828,709)	(1,991,271)
Increase in long-term other liabilities	2,020,566	945,099
Net cash provided (used) by financing activities	(7,688,920)	6,001,832
Effect of exchange rate changes on cash	(31,746)	-
Net increase (decrease) in cash and cash equivalents	28,546,316	(1,799,260)
Cash and cash equivalents at beginning of period	9,401,350	8,897,891
Cash and cash equivalents at end of period	$ 37,947,666	7,098,631

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements and notes thereto have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. The accompanying consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes thereto included in Devon's 1996 annual report on Form 10-K.

In the opinion of Devon's management, all adjustments (all of which are normal and recurring) have been made which are necessary to fairly state the consolidated financial position of Devon and its subsidiaries as of September 30 1997, and the results of their operations and their cash flows for the three month and nine month periods ended September 30, 1997 and 1996.

Foreign Currency Translation

Prior to December 31, 1996, Devon had no operations outside the United States. On December 31, 1996, Devon acquired certain Canadian oil and gas properties as part of a transaction in which Devon acquired all of Kerr-McGee Corporation's North American onshore oil and gas exploration and production properties and business in exchange for 9,954,000 shares of Devon common stock. The acquired Canadian properties are owned by a Canadian subsidiary which is wholly- owned by Devon.

For purposes of foreign currency translation, the Canadian dollar is the functional currency for Devon's Canadian operations. Translation adjustments resulting from translating the Canadian subsidiary's foreign currency financial statements into U.S. dollar equivalents are reported separately and accumulated in a separate component of stockholders' equity.

2. Earnings Per Share

The periods ended September 30, 1997, include a dilutive effect on earnings per share from Devon's 6.5% Trust Convertible Preferred Securities issued in July, 1996, and from employee stock options. The following table reconciles the net earnings and common shares outstanding used in the calculations of net earnings per share assuming no dilution, and assuming full dilution, for the three month and nine month periods ended September 30, 1997. (There was no dilutive effect on earnings per share in the comparable 1996 periods.)

2. Earnings Per Share (Continued)

	Net Earnings	Common Shares Outstanding	Net Earnings Per Share
Three Months Ended Sepetember 30, 1997:			
Net earnings per share, assuming no dilution	$16,305,960	32,235,020	0.51
Dilutive effect of:			
Potential common shares issuable upon the conversion of Trust Convertible Preferred securities (the increase in net earnings is net of income tax expense of $963,000)	1,506,489	4,901,507	
Potential common shares issuable upon the exercise of employee stock options (calculated using the treasury stock method)	-	526,725	
Net earnings per share, assuming full dilution	$17,812,449	37,663,252	0.47
Nine Months Ended September 30, 1997:			
Net earnings per share, assuming no dilution	56,361,496	32,181,077	1.75
Dilutive effect of:			
Potential common shares issuable upon the conversion of Trust Convertible Preferred securities (the increase in net earnings is net of income tax expense of $2,889,000)	4,519,466	4,901,507	

Potential common shares issuable upon the exercise of employee stock options (calculated using the treasury stock method)	-	550,986	
Net earnings per share, assuming full dilution	$60,880,962	37,633,570	1.62

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

The following discussion addresses material changes in results of operations for the three month and nine month periods ended September 30, 1997, compared to the three month and nine month periods ended September 30, 1996, and in financial condition since December 31, 1996. It is presumed that readers have read or have access to Devon's 1996 annual report on Form 10-K.

Overview

On December 31, 1996, Devon acquired all of Kerr- McGee Corporation's North American onshore oil and gas exploration and production business and properties (the "KMG- NAOS Properties") in exchange for 9,954,000 shares of Devon common stock. This transaction added approximately 62 million barrels of oil equivalent ("Boe") to Devon's year-end 1996 proved reserves, as well as 370,000 net undeveloped acres of leasehold. The addition of the KMG-NAOS Properties in the first quarter of 1997 was the primary reason for the changes in Devon's operational results between the 1997 and 1996 third quarter and year-to-date periods.

Production for the third quarter of 1997 totaled 5.1 million Boe of oil, gas and natural gas liquids ("NGL"). This was an increase of 92% over the third quarter of 1996. Revenues for the third quarter of 1997 were $72.9 million, an increase of 85% over the prior year's third quarter. Net earnings for the 1997 quarter were $16.3 million, or $0.51 per share. The 1997 net earnings were 112% above the prior year's quarterly results. The 1997 per share amount was 46% above the comparable 1996 amount, with approximately 10 million more <F1> shares outstanding in the 1997 period. The cash margin 1 for the third quarter of 1997 also increased significantly to $41.9 million, an increase of 84% over the 1996 third quarter's cash margin of $22.8 million.

Year-to-date production for the first nine months of 1997 totaled 15.1 million Boe. This was 91% greater than the total for the first nine months of 1996. Revenues for the

<F1>
1 "Cash margin" equals Devon's total revenues less cash expenses. Cash expenses are all expenses other than the non-cash expenses of depreciation, depletion and amortization and deferred income tax expense. Cash margin is an indicator which is commonly used in the oil and gas industry. This margin measures the net cash which is generated by a company's operations during a given period, without regard to the period such cash is actually physically received or spent by the company. This margin ignores the non-operations effects on a company's activities as an operator of oil and gas wells. Such activities produce net increases or decreases in temporary cash funds held by the operator which have no effect on net earnings of the company. Cash margin should be used as a supplement to, and not as a substitute for, net earnings and net cash provided by operating activities determined in accordance with generally accepted accounting principles in analyzing Devon's results of operations and liquidity.

first nine months of 1997 were $230.4 million, an increase of 108% over the comparable 1996 period's revenues. Net earnings for the first nine months of 1997 were $56.4 million, or $1.75 per share. The 1997 earnings were 181% above the 1996 nine- month total. The 1997 per share amount was 92% above the comparable 1996 amount, with approximately 10 million more shares outstanding in the 1997 period. The cash margin for the first nine months of 1997 was $140.2 million, an increase of 125% over the cash margin of $62.2 million for the comparable 1996 period.

Results of Operations

Total revenues increased by $33.4 million, or 85%, in the third quarter of 1997 compared to the third quarter of 1996, and by $119.6 million, or 108%, in the first nine months of 1997 compared to the same period in 1996. These increases were primarily caused by substantial gains in oil, gas and NGL revenues. Combined oil, gas and NGL revenues increased by 81% in the third quarter of 1997, and 105% in the year-to-date period of 1997. The relative contributions of production and price changes are shown below. (Note: Unless otherwise stated, all references in this report to dollar amounts regarding Devon's Canadian operations are expressed in U.S. dollars.)

	Total					
	Three Months Ended September 30,			Nine Months Ended September 30,		
	1997	1996	Change	1997	1996	Change
Production						
Oil (Bbls)	1,725,020	957,268	+80%	5,218,472	2,788,446	+87%
Gas (Mcf)	17,730,418	8,661,984	+105%	52,062,741	26,476,320	+97%
NGL (Bbls)	414,446	253,811	+63%	1,214,944	704,346	+72%
Oil, Gas and						
<F1>						
NGL (Boe)1	5,094,536	2,654,743	+92%	15,110,540	7,905,512	+91%

Revenues						
Oil	$31,267,250	20,342,307	+54%	100,857,256	55,994,559	+80%
Gas	34,044,149	15,289,596	+123%	107,458,126	44,123,924	+144%
NGL	5,206,135	3,375,507	+54%	16,534,020	9,366,377	+77%
Combined	$70,517,534	39,007,410	+81%	224,849,402	109,484,860	+105%
Average Prices						
Oil (Per Bbl)	$18.13	21.25	-15%	19.33	20.08	-4%
Gas (Per Mcf)	$1.92	1.77	+8%	2.06	1.67	+23%
NGL (Per Bbl)	$12.56	13.30	-6%	13.61	13.30	+2%
Oil, Gas and NGL						
<F1>						
(Per Boe)1	$13.84	14.69	-6%	14.88	13.85	+7%

Domestic

	Three Months Ended September 30,			Nine Months Ended September 30,		
	1997	1996	Change	1997	1996	Change
Production						
Oil (Bbls)	1,503,734	957,268	+57%	4,520,756	2,788,446	+62%
Gas (Mcf)	15,662,465	8,661,984	+81%	45,761,290	26,476,320	+73%
NGL (Bbls)	372,322	253,811	+47%	1,091,316	704,346	+55%
Oil, Gas and						
<F1>						
NGL (Boe)1	4,486,467	2,654,743	+69%	13,238,954	7,905,512	+67%
Revenues						
Oil	$27,297,108	20,342,307	+34%	87,513,250	55,994,559	+56%
Gas	31,524,367	15,289,596	+106%	98,843,718	44,123,924	+124%
NGL	4,617,201	3,375,507	+37%	14,598,360	9,366,377	+56%
Combined	$63,438,676	39,007,410	+63%	200,955,328	109,484,860	+84%
Average Prices						
Oil (Per Bbl)	$18.15	21.25	-15%	19.36	20.08	-4%
Gas (Per Mcf)	$2.01	1.77	+14%	2.16	1.67	+29%
NGL (Per Bbl)	$12.40	13.30	-7%	13.38	13.30	+1%
Oil, Gas and NGL						
<F1>						
(Per Boe)1	$14.14	14.69	-4%	15.18	13.85	+10%

Canada

	Three Months Ended September 30,			Nine Months Ended September 30,		
	1997	1996	Change	1997	1996	Change
Production						
Oil (Bbls)	221,286	-	NA	697,716	-	NA
Gas (Mcf)	2,067,953	-	NA	6,301,451	-	NA
NGL (Bbls)	42,124	-	NA	123,628	-	NA
Oil, Gas and						
<F1>						
NGL (Boe)1	608,069	-	NA	1,871,586	-	NA
Revenues						
Oil	$3,970,142	-	NA	13,344,006	-	NA
Gas	2,519,782	-	NA	8,614,408	-	NA
NGL	588,934	-	NA	1,935,660	-	NA
Combined	$7,078,858	-	NA	23,894,074	-	NA
Average Prices						
Oil (Per Bbl)	$17.94	-	NA	19.13	-	NA
Gas (Per Mcf)	$1.22	-	NA	1.37	-	NA
NGL (Per Bbl)	$13.98	-	NA	15.66	-	NA
Oil, Gas and NGL						
<F1>						
(Per Boe)1	$11.64	-	NA	12.77	-	NA

<F1>
1 Gas is converted to barrels of oil equivalent ("Boe") at the rate of six Mcf per barrel of oil, based upon the approximate relative energy content of natural gas and oil, which rate is not necessarily indicative of the relationship of oil, gas and NGL prices. The respective prices of these products are affected by market and other factors in addition to relative energy content.

Oil Revenues. Oil revenues increased by $10.9 million, or 54%, in the third quarter of 1997 compared to the same period of 1996. Production gains of 768,000 barrels, or 80%, added $16.3 million of oil revenues in the 1997 period. This increase was partially offset by a $5.4 million reduction in oil revenues caused by a $3.12 per barrel decrease in the third quarter of 1997 s average oil price.

The KMG-NAOS Properties were responsible for the increased oil production. These properties produced 780,000 barrels of oil in the third quarter of 1997. Approximately 559,000 of these barrels were produced in the U.S. and another 221,000 barrels were produced in Canada. Devon s other domestic properties produced 945,000 barrels in the third quarter of 1997. This was a decrease of 12,000 barrels, or 1%, compared to the 957,000 barrels produced in the third quarter of 1996.

Oil revenues increased by $44.9 million, or 80%, in the first nine months of 1997 compared to the same period in 1996. Production gains of 2,430,000 barrels, or 87%, added $48.8 million of oil revenues in the 1997 period. This increase was partially offset by a $3.9 million reduction in oil revenues caused by a $0.75 per barrel decrease in the year-to-date period of 1997.

The KMG-NAOS Properties were the primary contributors to the increased oil production in the 1997 year- to-date period. These properties produced 2,282,000 barrels of oil in the first nine months of 1997. Approximately 1,584,000 of these barrels were produced in the U.S., while 698,000 barrels were produced in Canada. Devon s other domestic properties produced 2,937,000 barrels in the first nine months of 1997. This was an increase of 149,000 barrels, or 5%, over the 2,788,000 barrels produced in the first nine months of 1996.

Gas Revenues. Gas revenues increased by $18.8 million, or 123%, in the third quarter of 1997 compared to the third quarter of 1996. An increase in gas production of 9.1 Bcf, or 105%, added $16.0 million to the 1997 quarter s gas sales. Also, an increase in the average gas price of $0.15 per Mcf, or 8%, added the remaining $2.8 million of increased gas revenues.

The KMG-NAOS Properties were the primary contributors to the increased production volumes in the 1997 quarter. These properties produced 7.8 Bcf in the third quarter of 1997. The KMG-NAOS Properties produced 5.7 Bcf in the U.S. and 2.1 Bcf in Canada. Devon s coal seam gas properties produced 4.2 Bcf in the third quarter of 1997 and the third quarter of 1996. Devon's other domestic properties produced 5.8 Bcf in the 1997 period compared to 4.5 Bcf in the third quarter of 1996.

The coal seam gas properties averaged $1.88 per Mcf in the third quarter of 1997 compared to $1.71 per Mcf in the third quarter of 1996. Devon s domestic conventional gas properties averaged $2.06 per Mcf in the 1997 quarter compared to $1.82 per Mcf in the 1996 quarter. Devon s Canadian gas production averaged $1.22 per Mcf in the 1997 quarter.

Gas revenues increased by $63.3 million, or 144%, in the first nine months of 1997 compared to the same period of 1996. An increase in gas production of 25.6 Bcf, or 97%, added $42.6 million of gas sales in the 1997 period. An increase in the average price of $0.39 per Mcf, or 23%, added the remaining $20.7 million of increased gas sales.

The KMG-NAOS Properties were responsible for the majority of the increased gas production. These properties produced 22.7 Bcf in the first nine months of 1997. Approximately 16.4 Bcf of this production was in the U.S., while the remaining 6.3 Bcf was produced in Canada. Devon s coal seam gas properties produced 12.8 Bcf in the first nine months of 1997 compared to 13.2 Bcf in the comparable 1996 period. Devon s other domestic properties produced 16.7 Bcf in the first nine months of 1997 compared to 13.3 Bcf in the first nine months of 1996.

The coal seam gas properties averaged $2.00 per Mcf in the first nine months of 1997 compared to $1.47 per Mcf in the comparable 1996 period. Devon s domestic conventional gas properties averaged $2.22 per Mcf in the 1997 period compared to $1.86 per Mcf in the 1996 period. Devon s Canadian gas production averaged $1.37 per Mcf in the first nine months of 1997.

NGL Revenues. NGL revenues increased by $1.8 million, or 54%, in the third quarter of 1997 compared to the third quarter of 1996. An increase in production of 161,000 barrels, or 63%, added $2.1 million to the 1997 quarter s revenues. This was partially offset by a $0.3 million reduction in revenues caused by a $0.74 per barrel decrease in the 1997 quarter s average price.

The KMG-NAOS Properties accounted for 121,000 barrels of the total increase in production. The KMG-NAOS Properties produced 79,000 barrels in the U.S. and 42,000 barrels in Canada.

NGL revenues increased by $7.2 million, or 77%, in the first nine months of 1997 compared to the same period of 1996. An increase in production of 511,000 barrels, or 72%, added $6.8 million to the 1997 period s revenues. An increase in the average price of $0.31 per barrel in 1997 added the remaining $0.4 million of increased NGL revenues.

The KMG-NAOS Properties produced 366,000 barrels in the first nine months of 1997. These properties produced 242,000 barrels in the U.S. and 124,000 barrels in Canada.

Other Revenues. Other revenues increased by $1.9 million, or 402%, in the third quarter of 1997. The addition of the KMG-NAOS Properties added $0.8 million of revenues in the 1997 quarter from processing third party natural gas. The investment of excess cash on hand in the 1997 quarter added $0.6 million of interest income.

Other revenues increased by $4.2 million, or 317%, in the first nine months of 1997. Processing of third party natural gas related to the KMG-NAOS Properties accounted for $2.4 million of the increase. Another $1.2 million of the increase in other revenues was attributable to interest income earned in the first nine months of 1997.

Production and Operating Expenses. Components of production and operating expenses in the second quarter and first half of 1997 increased or decreased compared to 1996 as shown in the tables below.

Total

	Three Months Ended September 30, 1997	1996	Change	Nine Months Ended September 30, 1997	1996	Change
Expenses						
Recurring operations and maintenance expenses	$14,513,305	7,173,359	+102%	43,088,111	20,553,364	+110%
Well workover expenses	1,301,385	449,195	+190%	3,067,500	2,242,443	+37%
Production taxes	4,109,654	2,587,664	+59%	13,165,045	7,075,577	+86%
Total production and operating expenses	$19,924,344	10,210,218	+95%	59,320,656	29,871,384	+99%
Expenses Per Boe						
Recurring operations and maintenance expenses	$2.85	2.70	+6%	2.85	2.60	+10%
Well workover expenses	0.25	0.17	+47%	0.21	0.28	-25%
Production taxes	0.81	0.98	-17%	0.87	0.90	-3%
Total production and operating expenses	$3.91	3.85	+2%	3.93	3.78	+4%

Domestic

	Three Months Ended September 30, 1997	1996	Change	Nine Months Ended September 30, 1997	1996	Change
Expenses						
Recurring operations and maintenance expenses	$12,782,991	7,173,359	+78%	38,447,151	20,553,364	+87%
Well workover expenses	849,830	449,195	+89%	2,410,520	2,242,443	+7%
Production taxes	4,043,208	2,587,664	+56%	12,961,285	7,075,577	+83%
Total production and operating expenses	$17,676,029	10,210,218	+73%	53,818,956	29,871,384	+80%
Expenses Per Boe						
Recurring operations and maintenance expenses	$2.85	2.70	+6%	2.91	2.60	+12%
Well workover expenses	0.19	0.17	+12%	0.18	0.28	-36%
Production taxes	0.90	0.98	-8%	0.98	0.90	+9%
Total production and operating expenses	$3.94	3.85	+2%	4.07	3.78	+8%

Canada

	Three Months Ended September 30, 1997	1996	Change	Nine Months Ended September 30, 1997	1996	Change
Expenses						
Recurring operations and maintenance expenses	$1,730,314	-	NA	4,640,960	-	NA
Well workover expenses	451,555	-	NA	656,980	-	NA
Production taxes	66,446	-	NA	203,760	-	NA
Total production and operating expenses	$2,248,315	-	NA	5,501,700	-	NA
Expenses Per Boe						
Recurring operations and maintenance expenses	$2.85	-	NA	2.48	-	NA
Well workover expenses	0.74	-	NA	0.35	-	NA
Production taxes	0.11	-	NA	0.11	-	NA
Total production and operating expenses	$3.70	-	NA	2.94	-	NA

Recurring operations and maintenance expenses increased by $7.3 million, or 102%, in the third quarter of 1997. The addition of the KMG-NAOS Properties accounted for $5.5 million of the increased expenses. Expenses on wells drilled since September 30, 1996, comprised the majority of the remaining $1.8 million increase.

Production taxes increased by $1.5 million, or 59%, in the third quarter of 1997. This increase was attributable to the 81% increase in combined oil, gas and NGL revenues in the 1997 period.

Recurring expenses per Boe were up by $0.15, or 6%, in the third quarter of 1997 compared to the same quarter of 1996. This increase was caused by the reduction in the coal seam gas properties share of total production. The recurring operating costs per Boe for the coal seam gas properties are extremely low ($0.40 per Boe in the third quarter of 1997 and $0.30 per Boe in the third quarter of 1996). However, as production from these properties declined and production from Devon s conventional properties increased in the 1997 quarter, the coal seam gas properties percentage of overall production dropped from 26% in the 1996 quarter to only 14% in the 1997 quarter. The result is that more of Devon s production in the 1997 period was attributable to its conventional gas properties, which have a higher operating cost per Boe than the low-cost coal seam gas properties. The recurring operating costs per Boe for Devon s conventional properties actually dropped to $3.24 per Boe in the third quarter of 1997 from $3.56 per Boe in the third quarter of 1996. Even though the coal seam costs per Boe rose only $0.10 and the conventional properties costs per Boe dropped by $0.32 in the 1997 quarter, the overall cost per Boe increased because of the shift in the production percentage toward the conventional properties.

Recurring operations and maintenance expenses increased by $22.5 million, or 110%, in the first nine months of 1997. The KMG-NAOS Properties accounted for $17.3 million of the increased expenses. Most of the remaining $5.2 million of increased expenses was due to wells which were drilled subsequent to September 30, 1996.

Production taxes increased by $6.1 million, or 86%, in the first nine months of 1997. This increase was attributable to the 105% increase in combined oil, gas and NGL revenues in the 1997 period.

Recurring expenses per Boe were up by $0.25, or 10%, in the first nine months of 1997. As explained above in the discussion of the quarterly increase, the increase in the percentage of production attributable to the conventional properties is the cause of the increase in the costs per Boe. Expenses of Devon s coal seam gas properties were $0.37 per Boe in the first nine months of 1997 compared to $0.32 per Boe in the first nine months of 1996. Expenses of Devon s conventional properties were $3.26 per Boe in the 1997 period compared to $3.48 per Boe in the 1996 period. Even though the per unit expenses increased only $0.05 per Boe for the coal seam properties and decreased by $0.22 per Boe for the conventional properties, Devon s overall cost per Boe increased. This was caused by the drop in the percentage of Devon s overall production attributable to the extremely low- cost coal seam properties. Such properties accounted for 28% of combined production in the first nine months of 1996, but only accounted for 14% of the 1997 period s production.

Depreciation, Depletion and Amortization Expense (DD&A). Oil and gas property related DD&A increased $8.9 million, or 85%, from $10.6 million in the third quarter of 1996 to $19.5 million in the third quarter of 1997. The increase in combined oil, gas and NGL production of 2.4 million Boe, or 92%, added $9.7 million of DD&A. This was partially offset by a $0.8 million decrease in DD&A caused by a reduction in the 1997 quarter's DD&A rate. The DD&A rate dropped to $3.83 per Boe in the 1997 quarter compared to $3.98 per Boe in the 1996 quarter due to 1997 upward reserve revisions.

Oil and gas property related DD&A increased $28.0 million, or 92%, from $30.3 million in the first nine months of 1996 to $58.3 million in the first nine months of 1997. The increase in combined oil, gas and NGL production of 7.2 million Boe, or 91%, accounted for $27.6 million of the increased DD&A. The remaining $0.4 million of the increased expense was caused by an increase in the DD&A rate from $3.83 per Boe in the year-to-date 1996 period to $3.86 per Boe in the 1997 year-to-date period.

General and Administrative Expenses (G&A). G&A increased $0.9 million, or 40%, in the third quarter of 1997. Employee salaries and related overhead costs, including insurance and pension expense, increased $1.2 million in the 1997 quarter. This increase was primarily related to the additional permanent and temporary personnel added at Devon s Oklahoma City and Calgary offices as a result of the acquisition of the KMG-NAOS Properties. The expansion in personnel also caused office-related costs such as rent, dues, travel, supplies, telephone, etc., to increase by $0.5 million in the third quarter.

The higher salary, overhead and office costs were partially offset by an increase in Devon s overhead reimbursements. As the operator of a property, Devon receives these reimbursements from the property s working interest owners. Devon records the reimbursements as reductions to G&A. Due to the addition of the KMG-NAOS Properties, many of which Devon operates, Devon s overhead reimbursements increased by $0.8 million in the third quarter of 1997.

The amount of G&A capitalized pursuant to the full cost method of accounting for oil and gas properties increased from $0.7 million in the third quarter of 1996 to $0.9 million in the third quarter of 1997.

G&A increased $2.6 million, or 38%, in the first nine months of 1997. Employee salaries and related overhead costs increased by $3.9 million due to the expansion in personnel from the acquisition of the KMG-NAOS Properties. This expansion also caused office-related costs to increase by $1.4 million in the first nine months of 1997. The higher salary, overhead and office costs were partially offset by a $2.7 million increase in Devon s overhead reimbursements.

Capitalized G&A increased from $2.0 million in the first nine months of 1996 to $2.7 million in the same period of 1997.

Interest Expense. Interest expense decreased $0.1 million, or 61%, in the third quarter of 1997 due to a substantial reduction in the average debt outstanding. The average debt balance outstanding dropped from $5.7 million in the third quarter of 1996 to zero in the third quarter of 1997.

Devon issued $149.5 million of 6.5% Trust Convertible Preferred Securities (TCP Securities) in July, 1996. The proceeds from this issuance, along with cash flow from operations, were used to substantially retire Devon s long- term bank debt. (The TCP Securities are discussed further below.)

Interest expense decreased $4.9 million, or 95%, in the first nine months of 1997. This reduction was caused by a drop in the average debt balance outstanding from $102.3 million in the first nine months of 1996 to only $1.0 million in the first nine months of 1997. As explained above, the issuance of the TCP Securities in July, 1996, was the primary reason for the reduction in Devon s long-term bank debt.

Distributions on Preferred Securities of Subsidiary Trust. As mentioned in the above discussions of interest expense, Devon, through an affiliate, issued $149.5 million of 6.5% TCP Securities in July, 1996. Distributions on the TCP Securities accrue at the rate of 1.625% per quarter. Distributions on the TCP Securities were $2.4 million in the third quarter of 1997 and $2.3 million in the third quarter of 1996. The 1996 amount was slightly lower because the initial distribution in 1996 did not cover the entire third quarter.

Income Taxes. During interim periods, income tax expense is based on the estimated effective tax rate for the entire fiscal year. The estimated effective tax rate in the third quarter and first nine months of 1997 was 40%, compared to 43% estimated in the third quarter and first nine months of 1996. However, the eventual actual tax rate for the year 1996 was reduced to 41%, which was only slightly higher than the current estimated rate for 1997.

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

Included as deferred tax assets at September 30, 1997, were approximately $11 million of various tax carryforwards. Of this amount, $5 million were for net operating loss carryforwards that expire between 1998 and 2008. The remaining $6 million of carryforward benefits relate to depletion and minimum tax credit carryforwards which do not have expiration dates.

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

Based upon current estimates of future production, average prices and pre-tax expenses, management believes that taxable income during the carryforward periods will be sufficient to utilize all of the carryforwards currently available. Devon expects the tax benefits from its net operating loss carryforwards to be utilized between 1997 and 1999. This is well before the 2006 expiration date for the majority of such benefits.

Management s assessment of the future utilization of Devon s deferred tax assets is based upon current estimates of taxable income to be generated in 1997 and beyond. Significant changes in such estimates from variables such as future oil and gas prices or capital expenditures could alter the timing of the eventual utilization of such assets. There can be no assurance that Devon will generate any specific level of continuing taxable earnings.

Capital Expenditures, Capital Resources and Liquidity

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

Capital Expenditures. Cash used for capital expenditures increased 39% from $65.8 million in the first nine months of 1996 to $91.4 million in the first nine months of 1997. Approximately $87.7 million was spent in the 1997 period on acquisition, exploration and development costs, compared to $65.1 million in the 1996 period.

Capital Resources and Liquidity. Net cash provided by operating activities (operating cash flow) continued to be the primary source of capital and liquidity in the first nine months of 1997. Operating cash flow in the 1997 year-to-date period was $129.0 million compared to $56.1 million in the comparable 1996 period.

Because of the amount of operating cash flow generated in the first nine months of 1997, Devon s credit lines were not used as a significant source of capital. Long- term debt at the end of 1996 was $8 million. During the first quarter of 1997, operating cash flow was utilized to eliminate this debt balance.

Devon s domestic long-term credit facilities were amended in March, 1997. At Devon s request, the borrowing base of the facilities was lowered from $260 million to $208 million. This will lower Devon s future cost of borrowings. If future capital needs arise, Devon believes that its lenders would increase its domestic credit lines to approximately $500 million. The amendments to the credit agreements also lowered the annual facilities fee from 0.25% of the borrowing base to 0.20%, and extended the final maturity date for $200 million of the facilities to August 31, 2003. The maturity date for the remaining $8 million of credit facilities is August 31, 2000. Also, the amendments reduced Devon s minimum tangible net worth required by the lenders.

Impact of Recently Issued Accounting Standards Not Yet Adopted. In February, 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, Earnings Per Share. SFAS No. 128 is effective for financial statements issued for periods ending after December 15, 1997, and restatement of prior-period earnings per share date is required. The new standard will not apply to Devon s financial statements until the fourth quarter of 1997. SFAS No. 128 revises the current calculation methods and presentation of primary and fully diluted earnings per share. Devon has reviewed the requirements of SFAS No. 128, and has concluded that they will not affect Devon s historical primary earnings per share data. However, SFAS No. 128 will lower Devon s historical fully diluted earnings per share amounts by $0.01 per share in each of the following periods: the year 1994, the year 1995, the second quarter of 1996 and the third quarter of 1996.

Revisions to 1997 Estimates

The 1996 annual report on Form 10-K, and a Form 8-K filed on February 11, 1997, contained forward-looking information for the year 1997. This information was revised to the extent necessary in the Quarterly Report on Form 10-Q for the quarter ended June 30, 1997. Where necessary, that information has been further revised in the following discussion. The revised forward-looking statements provided in this discussion are based on management's examination of historical operating trends, the December 31, 1996 reserve reports of independent petroleum consultants LaRoche Petroleum Consultants, Ltd. and AMH Group Ltd., data in Devon's files, other data available from third parties, and actual results for the first half of 1997. Devon cautions that its future oil, gas and NGL production, revenues and expenses are subject to all of the risks and uncertainties normally incident to the exploration for and development and production of oil and gas. These risks include, but are not limited to, environmental risks, drilling risks, regulatory changes, the uncertainty inherent in estimating future oil and gas production or reserves, and other risks as outlined below. The scope of Devon's operations increased significantly with the KMG-NAOS transaction. This increases the margin of error inherent in estimating Devon's 1997 production volumes, prices and expenses. Also, the financial results for Devon's new Canadian operations, obtained in the KMG-NAOS transaction, are subject to currency exchange rate risks.

Assumptions and Risks for Price and Production Estimates. Prices for oil, natural gas and NGLs are determined primarily by prevailing market conditions. Market conditions for these products are influenced by regional and world-wide economic growth, weather and other substantially variable factors. These factors are beyond Devon's control and are difficult to predict. Over 90% of Devon's revenues are attributable to sales of these three commodities. Consequently, the company's financial results and resources are highly influenced by this price volatility.

Estimates for Devon's future production of oil, natural gas and NGLs are based on the assumption that market demand and prices for oil and gas will continue at levels that allow for profitable production of these products. Although Devon's management believes these assumptions to be reasonable, there can be no assurance of such stability.

Certain of Devon's individual oil and gas properties are sufficiently significant as to have a material impact on the company's overall financial results. With respect to oil production, these properties include the West Red Lake Field and the Grayburg-Jackson Unit, both in southeast New Mexico. The company's interest in coal seam natural gas in the Northeast Blanco Unit and the 32-9 Unit can have a substantive effect on overall gas production.

The production, transportation and marketing of oil, natural gas and NGLs are complex processes which are subject to disruption due to transportation and processing availability, mechanical failure, human error, meteorological events and numerous other factors. The following forward- looking statements were prepared assuming demand, curtailment, producibility and general market conditions for Devon's oil, natural gas and NGLs for the last quarter of 1997 will be substantially similar to those of the first three quarters, unless otherwise noted.

Discussed below are those areas where revisions have been made to the 1997 estimates originally included in the aforementioned Form 10-K and Form 8-K, and first revised in the June 30, 1997 Form 10-Q.

Relative Prices of Oil Production. In the revisions to forward-looking information which were included in the June 30, 1997, Form 10-Q, Devon revised its expected 1997 oil price upward to between $0.15 above West Texas Intermediate posted prices ("WTI") and $0.30 above WTI. Since the time of that revision, three factors have caused Devon to raise its expected oil prices again. First, the price differential between higher-priced sweet crude and lower- priced sour crude has narrowed substantially. Therefore, Devon's expected price for its sour crude has increased as it relates to WTI. Second, Devon's proportionate mix of sweet and sour crude production has shifted towards a larger percentage of the higher-priced sweet crude. And third, since the June, 1997, price revision, Devon has been successful at replacing expiring crude contracts with new contracts that have pricing terms equal to or better than the terms of the expiring contracts. These factors contributed to Devon's average oil price for the first nine months of 1997 being $0.41 above WTI. As a result of these events, Devon has again revised upward its estimate for the year's average oil price in 1997. Devon now expects its average oil price for 1997 to be between $0.30 above WTI and $0.50 above WTI.

Relative Prices of Gas Production. In the original forward-looking information included in the aforementioned Form 8-K and Form 10-K, Devon estimated that its average price for coal seam gas production would include an expected $0.55 per Mcf from the San Juan Basin Transaction. (See Note 3 to the consolidated financial statements included in the 1996 Form 10-K for a complete description of the San Juan Basin Transaction.) Recent upward revisions to Devon's expected future San Juan Basin prices, and the effect of such revisions on certain provisions of the agreement covering the San Juan Basin Transaction, have caused Devon to lower the expected price benefit from such transaction. Devon believes that the San Juan Basin transaction will add between $0.40 per Mcf and $0.50 per Mcf to Devon's 1997 coal seam gas average price.

Income Taxes. In the June 30, 1997, Form 10-Q, Devon revised upward its estimate of the current portion of its 1997 income tax expense to between $11 million and $15 million. The upward revision was necessitated by an upward revision to expected pre-tax earnings for the year. Since that June revision, Devon has again revised upward its estimate of 1997's pre-tax earnings. Accordingly, Devon now expects its current portion of 1997 income taxes to be between $16 million and $22 million. The original estimate of Devon's total income tax rate of between 38% and 42% has not been revised.

Part II. Other Information

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

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

Exhibit
No.

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

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

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

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

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

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

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

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

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

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

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

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

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

4.10 Form of 6 1/2% Preferred Convertible Securities (included as Exhibit A-1 to Exhibit 4.5 above).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

10.17 Registration Rights Agreement dated July 3, 1996, by and among the Registrant, Devon Financing Trust and Morgan Stanley & Co. Incorporated [incorporated by reference to Exhibit 10.1 to Amendment No. 1 to Registrant's Registration Statement on Form S-3 (No. 333- 00815)].

11 Computation of earnings per share

* Compensatory plans or arrangements.

(b) Reports on Form 8-K - No reports on Form 8-K were filed during the three months ended September 30, 1997.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DEVON ENERGY CORPORATION

Date: October 20, 1997

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

INDEX TO EXHIBITS

Page

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10.13	Supplement Retirement Income Agreement among Devon Energy Corporation (Nevada), Registrant and John W. Nichols dated March 26, 1997	#
10.14	Sale and Purchase Agreement relating to Registrant's San Juan Basin gas properties	#
10.15	Second Restatement of and Amendment to Sale and Purchase Agreement relating to Registrant's San Juan Basin gas properties	#
10.16	Purchase and Sale Agreement between Union Oil Company of California and Devon Energy Corporation (Nevada)	#
10.17	Registration Rights Agreement dated July 3, 1996, by and among the Registrant, Devon Financing Trust and Morgan Stanley & Co. Incorporated	#
11	Computation of earnings per share	31

Incorporated by reference.

DEVON ENERGY CORPORATION Exhibit 11

Computation of Earnings Per Share

	Three Monthes Ended September 30, 1997	1996	Nine Months Ended September 30, 1997	1996
PRIMARY EARNINGS PER SHARE				
Computation for Statement of Operations				
Net earnings per statement of operations	$16,305,960	7,707,673	56,361,496	20,036,987
Weighted average common shares outstanding	32,235,002	22,130,896	32,181,077	22,121,757
Primary earnings per share	$0.51	0.35	1.75	0.91
Additional Primary Computation (A)				
Net earnings per statement of operations	$16,305,960	7,707,673	56,361,496	20,036,987
Adjustment to weighted average common shares outstanding:				
Weighted average as shown above in primary computation	32,235,002	22,130,896	32,181,077	22,121,757
Add dilutive effect of outstanding stock options (as determined using the treasury stock method)	474,919	151,815	400,737	147,047
Weighted average common shares outstanding, as adjusted	32,709,921	22,282,711	32,581,814	22,268,804
Net earnings per common share, as adjusted	$0.50	0.35	1.73	0.90
FULLY DILUTED EARNINGS PER SHARE (A)				
Net earnings per statement of operations	$16,305,960	7,707,673	56,361,496	20,036,987
Increase in net earnings from assumed conversion of Trust Convertible Preferred Securities (net of tax effect)	1,506,489	1,464,549	4,519,466	1,464,549
Net earnings, as adjusted	$17,812,449	9,172,222	60,880,962	21,501,536
Weighted average common shares outstanding as shown in primary computation above	32,235,002	22,130,896	32,181,077	22,121,757
Add fully dilutive effect of outstanding stock options (as determined using the treasury stock method)	526,725	169,736	550,986	175,815
Add weighted average of additional shares issued from assumed conversion of Trust Convertible Preferred Securities	4,901,507	4,586,476	4,901,507	1,539,985
Weighted average common shares outstanding, as adjusted	37,663,234	26,887,108	37,633,570	23,837,557
Fully diluted earnings per common share	$0.47	0.34	1.62	0.90

(A) The additional primary computations for all periods, and the fully diluted computations for the 1996 periods, are submitted in accordance with Regulation S-K item 601(b)(11) although not required by footnote 2 to paragraph 14 of APB Opinion No. 15 because they result in dilution of less than 3%.

ARTICLE 5

PERIOD TYPE	9 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD END	SEP 30 1997
CASH	37947666
SECURITIES	0
RECEIVABLES	42234131
ALLOWANCES	0
INVENTORY	2166662
CURRENT ASSETS	85205662
PP&E	1062816198
DEPRECIATION	341619932
TOTAL ASSETS	820664338
CURRENT LIABILITIES	25670790
BONDS	0
PREFERRED MANDATORY	3229370
PREFERRED	0
COMMON	0
OTHER SE	523378080
TOTAL LIABILITY AND EQUITY	820664338
SALES	224849402
TOTAL REVENUES	230411931
CGS	0
TOTAL COSTS	0
OTHER EXPENSES	59320656
LOSS PROVISION	0
INTEREST EXPENSE	249184
INCOME PRETAX	93936496
INCOME TAX	37575000
INCOME CONTINUING	56361496
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	56361496
EPS PRIMARY	1.75
EPS DILUTED	1.62