DEVON ENERGY CORP /OK/

FORM 10-Q
(Quarterly Report)

Filed 08/14/96 for the Period Ending 06/30/96

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

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FORM 10-Q
(Quarterly Report)

Filed 8/14/1996 For Period Ending 6/30/1996

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 June 30, 1996
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 August 9, 1996, was 22,130,896.

1 of 45 total pages

(Exhibit Index is found at page 29)

DEVON ENERGY CORPORATION

Index to Form 10-Q Quarterly Report

to the Securities and Exchange Commission

Page No.

DEVON ENERGY CORPORATION

Part I. Financial Information

Item 1. Consolidated Financial Statements June 30, 1996 and 1995

(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, 1996 (Unaudited)	Pro Forma June 30, 1996 (Note 4) (Unaudited)	December 31, 1995
Assets			
Current assets:			
Cash and cash equivalents	$ 14,133,116	4,148,116	8,897,891
Accounts receivable	16,817,937	16,817,937	14,400,295
Inventories	710,877	710,877	605,263
Prepaid expenses	1,002,257	1,002,257	222,135
Deferred income taxes	749,000	749,000	749,000
Total current assets	33,413,187	23,428,187	24,874,584
Property and equipment, at cost, based on the full cost method of accounting for oil and gas properties	672,429,250	672,429,250	631,437,904
Less: Accumulated depreciation, depletion and amortization	259,816,341	259,816,341	239,619,167
	412,612,909	412,612,909	391,818,737
Other assets	4,584,200	9,569,200	4,870,796
Total assets	$450,610,296	445,610,296	421,564,117
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable:			
Trade	3,796,782	4,296,782	3,868,458
Revenues and royalties due to others	5,730,893	5,730,893	7,322,418
Income taxes payable	1,823,503	1,823,503	1,364,070
Accrued expenses	2,641,020	2,641,020	3,003,943
Total current liabilities	13,992,198	14,492,198	15,558,889
Revenues and royalties due to others	1,046,668	1,046,668	816,412
Other liabilities	9,388,334	9,388,334	8,623,057
Long-term debt	155,000,000	-	143,000,000
Deferred revenue	40,002	40,002	72,761
Deferred income taxes	40,941,000	40,941,000	34,452,000
Company-obligated mandatorily redeemable convertible preferred securities of Devon Financing Trust holding solely 6.5% convertible junior subordinated debentures of Devon Energy Corporation (note 4)	-	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 22,130,896 in 1996 and 22,111,896 in 1995	2,213,090	2,213,090	2,211,190
Additional paid-in capital	167,587,572	167,587,572	167,430,347
Retained earnings	60,401,432	60,401,432	49,399,461
Total stockholders' equity	230,202,094	230,202,094	219,040,998
Total liabilities and stockholders' equity	$450,610,296	445,610,296	421,564,117

See accompanying notes to consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	1996	1995	1996	1995
Revenues				
Oil sales	$19,507,458	14,376,088	35,652,252	26,365,389
Gas sales	14,212,694	9,552,692	28,834,328	19,452,697
Natural gas liquids sales	3,023,069	1,403,186	5,990,870	3,033,448
Other	555,392	318,368	869,223	561,127
Total revenues	37,298,613	25,650,334	71,346,673	49,412,661
Costs and expenses				
Lease operating expenses	7,755,074	6,553,363	15,173,253	13,318,684
Production taxes	2,345,996	1,557,222	4,487,913	3,233,678
Depreciation, depletion and amortization	10,461,179	9,600,192	20,588,163	19,059,444
General and administrative expenses	2,389,052	2,053,044	4,524,950	4,389,814
Interest expense	2,460,924	1,743,091	4,942,080	3,526,817
Total costs and expenses	25,412,225	21,506,912	49,716,359	43,528,437
Earnings before income taxes	11,886,388	4,143,422	21,630,314	5,884,224
Income tax expense				
Current	1,545,00	235,000	2,812,000	235,000
Deferred	3,566,000	1,464,000	6,489,000	2,178,000
Total income tax expense	5,111,000	1,699,000	9,301,000	2,413,000
Net earnings	$ 6,775,388	2,444,422	12,329,314	3,471,224
Net earnings per average common share outstanding	$0.31	0.11	0.56	0.16
Weighted average common shares outstanding	22,121,786	22,052,149	22,117,138	22,051,576

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 30, 1996	Six Months Ended June 30, 1995
Cash flows from operating activities		
Net earnings	$12,329,314	3,471,224
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, depletion and amortization	20,588,163	19,059,444
(Gain) loss on sale of assets	(39,011)	(26,763)
Deferred income taxes	6,489,000	2,178,000
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(2,417,642)	(1,774,987)
Inventories	20,679	(15,169)
Prepaid expenses	(780,122)	(766,532)
Other assets	212,027	624,327
Increase (decrease) in:		
Accounts payable	(1,850,332)	(1,324,500)
Income taxes payable	459,433	-
Accrued expenses	(362,923)	(168,555)
Revenues and royalties due to others	230,256	-
Long-term other liabilities	232,507	-
Deferred revenue	(32,759)	6,296,937
Net cash provided by operating activities	35,078,590	27,553,426
Cash flows from investing activities		
Proceeds from sale of property and equipment	1,435,378	1,460,712
Increase in deposits	-	11,521,923
Capital expenditures	(42,643,295)	(33,440,872)
Payments made for acquisitions of business	-	(2,391,484)
Net cash used in investing activities	(41,207,917)	(22,849,721)
Cash flows from financing activities		
Proceeds from borrowings on revolving lines of credit	16,000,000	4,000,000
Principal payments on revolving line of credit	(4,000,000)	(7,000,000)
Issuance of common stock	159,125	90,032
Dividends paid on common stock	(1,327,343)	(1,323,084)
Increase in long-term other liabilities	532,770	-
Net cash provided (used) by financing activities	11,364,552	(4,233,052)
Net increase in cash and cash equivalents	5,235,225	470,653
Cash and cash equivalents at beginning of period	8,897,891	8,336,371
Cash and cash equivalents at end of period	$ 14,133,116	8,807,024

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements and notes thereto have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. The accompanying consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes included in Devon's 1995 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, 1996, and the results of their operations and their cash flows for the three month and six month periods ended June 30, 1996 and 1995.

2. San Juan Basin Transaction

Effective January 1, 1995, Devon and an unrelated company entered into a transaction covering substantially all of Devon's San Juan Basin coal seam gas properties (the "San Juan Basin Transaction"). This transaction is more fully described in Devon's 1995 annual report on Form 10-K.

The San Juan Basin Transaction was initially subject to a material contingency, and thus the transaction's impact on Devon's operating statement was deferred pending the contingency's resolution. In October 1995, the contingency was favorably resolved, and therefore the transaction's cumulative effect for the first nine months of 1995 was recorded in the third quarter of 1995. Had the contingency not been in effect, and had the results of the transaction not been deferred, the following results would have been reported for the quarter and six months ended June 30, 1995.

	Three Months Ended June 30, 1995	Six Months Ended June 30, 1995
Revenues		
Oil sales	$14,376,088	26,365,389
Gas sales	12,514,441	25,373,648
Natural gas liquids sales	1,403,186	3,033,448
Other	318,368	636,177
Total revenues	28,612,083	55,408,662
Costs and expenses		
Lease operating expenses	6,541,209	13,292,588
Production taxes	1,540,141	3,197,148
Depreciation, depletion and amortization	9,398,067	18,640,637
General and administrative expenses	2,053,044	4,389,814
Interest expense	1,743,091	3,526,817
Total costs and expenses	21,275,552	43,047,004
Earnings before income taxes	7,336,531	12,361,658
Income tax expense		
Current	1,541,000	2,596,000
Deferred	1,614,000	2,720,000
Total income tax expense	3,155,000	5,316,000
Net earnings	$4,181,531	7,045,658
Net earnings per average common share outstanding	$.19	.32

3. Interest Rate Swap Agreement

Devon entered into an interest rate swap agreement in June, 1995, to hedge the impact of interest rate changes on a portion of its long-term debt. The principal amount of the swap agreement was $75 million, and the other party to the agreement was one of the lenders in Devon's credit lines. The swap agreement was accounted for as a hedge. The swap increased Devon's interest expense in the second quarter by $34,000, and reduced interest expense by $1,000 in the first half of 1996.

On July 1, 1996, Devon terminated the interest rate swap for a gain of $802,000. This gain will be recognized ratably as a reduction to interest expense for the period from July 1, 1996 to June 16, 1998 (the original expiration date of the swap).

4. Subsequent Event - Issuance of Trust Convertible Preferred Securities

On July 10, 1996, Devon, through its newly-formed affiliate Devon Financing Trust, completed the issuance of $149.5 million of 6.5% trust convertible preferred securities (the "TCP Securities") in a private placement. Devon Financing Trust issued 2,990,000 shares of the TCP Securities at $50 per share. Each TCP Security is convertible at the holder's option into 1.6393 shares of Devon common stock, which equates to a conversion price of $30.50 per share of Devon common stock.

Devon Financing Trust invested the $149.5 million of proceeds in 6.5% convertible junior subordinated debentures of Devon (the "Convertible Debentures"). In turn, Devon used the net proceeds from the issuance of the Convertible Debentures to retire debt outstanding under its credit lines.

The sole assets of Devon Financing Trust are the Convertible Debentures, which mature on June 15, 2026. Devon may redeem the Convertible Debentures, in whole or in part, on or after June 18, 1999. For the first twelve months thereafter, redemptions may be made at 104.55% of the principal amount. This premium declines proportionally every twelve months until June 15, 2006, when the redemption price becomes fixed at 100% of the principal amount. If Devon redeems any Convertible Debentures prior to the scheduled maturity date, Devon Financing Trust must redeem TCP Securities having an aggregate liquidation amount equal to the aggregate principal amount of Convertible Debentures so redeemed. The outstanding TCP Securities will be redeemed when the Convertible Debentures mature on June 15, 2026.

Devon has guaranteed the payments of distributions and other payments on the TCP Securities only if and to the extent that Devon Financing Trust has funds available there for. Such guarantee, when taken together with Devon's obligations under the Convertible Debentures and related indenture and declaration of trust, provide a full and unconditional guarantee of amounts due on the TCP Securities.

Devon owns all the common securities of Devon Financing Trust. As such, the accounts of Devon Financing Trust will be included in Devon's consolidated financial statements after appropriate eliminations of intercompany balances. The TCP Securities will be presented as a separate line item in Devon's consolidated balance sheet, and the distributions on the TCP Securities will be recorded as a charge to earnings on Devon's consolidated statements of operations. The distributions are deductible for income tax purposes.

Included with the accompanying consolidated balance sheets is a pro forma balance sheet as of June 30, 1996, presented as if the TCP Securities had been issued on such date. The pro forma balance sheet includes an additional $5 million of other assets which represents the costs incurred in the TCP Securities offering. These costs will be charged to expense over the life of the TCP Securities. The pro forma balance sheet also reflects the additional retirement of $10.0 million of long-term debt during July 1996. The cash used for this debt payment was provided by operating activities.

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

The following discussion addresses material changes in results of operations for the three months and six months ended June 30, 1996, compared to the three months and six months ended June 30, 1995, and in financial condition since December 31, 1995. It is presumed that readers have read or have access to Devon's 1995 annual report on Form 10-K.

Overview

Devon produced a record quantity of 2.7 million barrels of oil equivalent of oil, gas and natural gas liquids ("NGL") in the second quarter of 1996. The higher production, combined with higher prices, produced revenues of $37.3 million for the 1996 quarter, which was also a record. The 1996 second quarter revenues of $37.3 million were up 45% compared to the 1995 second quarter revenues of $25.7 million. Revenues for the first six months of 1996 were $71.3 million, a 44% increase over the 1995 first half revenues of $49.4 million.

Oil and NGL volumes were up significantly for both the quarter and year-to-date periods of 1996, while gas production was down slightly. The continued development of the Grayburg-Jackson Field and the acquisition of the Worland Properties were the primary reasons for the increased oil and NGL production.

Prices for oil, gas and NGL were all up significantly for both the 1996 quarter and six-month periods. Gas prices were especially helped by the effect of the San Juan Basin Transaction. This transaction added $0.60 per Mcf to Devon's coal seam gas average price, and added approximately $0.30 per Mcf to Devon's total gas price in the 1996 periods. Although this transaction was effective January 1, 1995, a contingency, which was not resolved until the third quarter of 1995, delayed the recognition of the transaction's benefits. Therefore, no operating statement benefit from the transaction was recognized until the third quarter of 1995.

Devon's cash expenses (i.e., all expenses other than the non-cash expenses of depreciation, depletion and amortization and deferred income tax expense) also rose in the 1996 quarter and year-to-date periods. However, such increases were at smaller rates than the increases in revenues. Cash expenses increased by 36% for the quarter and 29% for the first half of the year. Revenues increased by 45% and 44% in these <F1> same periods. As a result, cash margins1 increased

<F1>
1 "Cash margin" equals Devon's total revenues less cash expenses as defined above. Cash margin is an indicator which is commonly used by the investment community 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-operational effects on a company's "net cash provided by operating activities", as measured by generally accepted accounting principles, from 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 (as disclosed in the consolidated financial statements) in analyzing Devon's results of operations and liquidity.

substantially in the 1996 periods. Cash margin for the second quarter of 1996 was $20.8 million, an increase of 54% over the 1995 second quarter cash margin of $13.5 million. For the first six months of 1996, cash margin was $39.4 million, an increase of 59% over the cash margin of $24.7 million for the same period in 1995. (Had the effects of the San Juan Basin Transaction been recognized in the 1995 periods, the cash margins would have been $15.2 million for the second quarter and $28.4 million for the first half of the year.)

Devon's non-cash expenses increased by $3.0 million, or 27%, in the second quarter of 1996, and increased by $5.8 million, or 27%, in the first half of 1996. The increases in these expenses were caused primarily by increases in deferred income tax expense. The deferred income tax expense in the 1996 periods was higher due to higher pre-tax earnings generated compared to the 1995 periods.

The increases in cash margin, offset slightly by the increases in non-cash expenses, resulted in substantial increases in net earnings and net earnings per share ("EPS") in the 1996 periods. Net earnings and EPS for the 1996 quarter were $6.8 million and $0.31, respectively, compared to $2.4 million and $0.11 in the 1995 quarter. Net earnings and EPS for the first half of 1996 were $12.3 million and $0.56, compared to $3.5 million and $0.16 in the first half of 1995. (Had the effect of the San Juan Basin Transaction been recognized in the 1995 periods, net earnings for the quarter and six months would have been $4.2 million and $7.0 million, respectively. EPS for the 1995 periods would have been $0.19 for the quarter and $0.32 for the six months.)

In July 1996, Devon, through a newly-formed affiliate, completed the issuance of $149.5 million of trust convertible preferred securities. The net proceeds from the offering, along with cash on hand, were used to completely retire the $155 million of debt outstanding under Devon's credit lines. As a result, Devon now has all $260 million of its credit lines available for future use.

Results of Operations

Combined oil, gas and NGL revenues increased by 45% for the second quarter of 1996, and 44% for the first half of 1996. The relative contributions of production and price changes, both with and without the effect of the San Juan Basin Transaction in 1995's results, are shown below.

<F1>
<F1>

	Actual Reported Results (1) Three Months Ended June 30, 1996	1995	Change	Actual Reported Results (1) Six Months Ended June 30, 1996	1995	Change
Production						
Oil (Bbls)	956,663	822,891	+16%	1,831,178	1,541,135	+19%
Gas (Mcf)	8,830,714	9,374,203	-6%	17,814,336	19,355,504	-8%
NGL (Bbls)	222,942	133,192	+67%	450,535	271,881	+66%
Oil, Gas and NGL <F3> (Boe)3	2,651,391	2,518,450	+5%	5,250,769	5,038,933	+4%
Average Prices						
Oil (Per Bbl)	$20.39	17.47	+17%	19.47	17.11	+14%
Gas (Per Mcf)	$1.61	1.02	+58%	1.62	1.01	+60%
NGL (Per Bbl)	$13.56	10.54	+29%	13.30	11.16	+19%
Oil, Gas and NGL <F3> (Per Boe)3	$13.86	10.06	+38%	13.42	9.69	+38%
Revenues						
Oil	$19,507,458	14,376,088	+36%	35,652,252	26,365,389	+35%
Gas	14,212,694	9,552,692	+49%	28,834,328	19,452,697	+48%
NGL	3,023,069	1,403,186	+115%	5,990,870	3,033,448	+97%
Combined	$36,743,221	25,331,966	+45%	70,477,450	48,851,534	+44%

<F2>
<F2>

	Adjusted Results (2) Three Months Ended June 30, 1996	1995	Change	Adjusted Results (2) Six Months Ended June 30, 1996	1995	Change
Production						
Oil (Bbls)	956,663	822,891	+16%	1,831,178	1,541,135	+19%
Gas (Mcf)	8,830,714	9,073,361	-3%	17,814,336	18,730,872	-5%
NGL (Bbls)	222,942	133,192	+67%	450,535	271,881	+66%
Oil, Gas and <F3> NGL (Boe)3	2,651,391	2,468,310	+7%	5,250,769	4,934,828	+6%
Average Prices						
Oil (Per Bbl)	$20.39	17.47	+17%	19.47	17.11	+14%
Gas (Per Mcf)	$1.61	1.38	+17%	1.62	1.35	+20%
NGL (Per Bbl)	$13.56	10.54	+29%	13.30	11.16	+19%
Oil, Gas and NGL <F3> (Per Boe)3	$13.86	11.46	+21%	13.42	11.10	+21%
Revenues						
Oil	$19,507,458	14,376,088	+36%	35,652,252	26,365,389	+35%
Gas	14,212,694	12,514,441	+14%	28,834,328	25,373,648	+14%
NGL	3,023,069	1,403,186	+115%	5,990,870	3,033,448	+97%
Combined	$36,743,221	28,293,715	+30%	70,477,450	54,772,485	+29%

<F1>
1 The 1995 columns in these tables reflect the results actually reported in the second quarter and the first half of 1995. These figures do not include the effect of the San Juan Basin Transaction. This transaction was effective January 1, 1995, but recognition of the financial effects of the transaction on Devon's operations was deferred until the third quarter of 1995 when a significant contingency was favorably resolved. The cumulative nine-month effect of the San Juan Basin Transaction was recorded entirely in the third quarter of 1995.

<F2>
2 The 1995 columns in these tables present the results of the second quarter and the first half of 1995 which would have been reported if there had been no contingency at the time the San Juan Basin Transaction was executed.

<F3>
3 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 $5.1 million, or 36%, in the second quarter of 1996. Production gains of 134,000 barrels, or 16%, added $2.3 million of oil revenues in the 1996 period. An increase in the average price of $2.92 per barrel in the 1996 quarter added the remaining $2.8 million of increased oil revenues.

Approximately 87% of the production gains were from the Grayburg-Jackson Field acquired in May 1994. As Devon's development of this field has progressed, more wells have come on line and the initial stage of a waterflood has begun since the second quarter of 1995. The Grayburg-Jackson Field produced approximately 307,000 barrels in the second quarter of 1996. This is an increase of 116,000 barrels, or 61%, compared to the 191,000 barrels produced in the second quarter of 1995.

Oil revenues increased by $9.3 million, or 35%, in the first half of 1996. Production gains of 290,000 barrels, or 19%, added $5.0 million of oil revenues in the 1996 period. An increase in the average price of $2.36 per barrel in 1996 added the remaining $4.3 million of increased oil revenues.

The Grayburg-Jackson Field also accounted for the majority of the increased production in the first six months of 1996. This field produced approximately 576,000 barrels in the first half of 1996. This is an increase of 255,000 barrels, or 79%, compared to the 321,000 barrels produced in the first six months of 1995.

Gas Revenues. Gas revenues increased by $4.7 million, or 49%, in the second quarter of 1996. An increase in the average gas price of $0.59 per Mcf, or 58%, added $5.2 million to gas sales in the second quarter of 1996. This was partially offset by a $0.5 million reduction from a drop in gas production of 0.5 Bcf, or 6%. The San Juan Basin Transaction added $2.6 million to 1996's second quarter gas sales, which resulted in an increase of $0.29 per Mcf in Devon's total gas price. As discussed previously, the effects of this transaction on 1995's results were not recorded until the third quarter of that year. Therefore, 1995's second quarter results as reported in the consolidated financial statements do not include any effect of the San Juan Basin Transaction. As shown in the above tables, if the effects of this transaction had been recorded in the second quarter of 1995, gas sales for the second quarter of 1996 would have exceeded gas sales for the second quarter of 1995 by $1.7 million.

Coal seam gas averaged $1.33 per Mcf in the second quarter of 1996 compared to $0.70 per Mcf in the same quarter of 1995. The San Juan Basin Transaction added $0.60 per Mcf to the 1996 average price. The average price for conventional gas in the second quarter of 1996 was $1.88 per Mcf. This compares to 1995's second quarter average for conventional gas of $1.47 per Mcf.

Coal seam gas production in 1996's second quarter was 4.3 Bcf, which was down 1.2 Bcf from the 5.5 Bcf produced in the second quarter of 1995. Approximately 0.3 Bcf of such decrease was due to the fact that a small portion of Devon's coal seam gas interest was sold as part of the San Juan Basin Transaction. The effect of this sale is reflected in 1996's production quantities, but the effect on the second quarter of 1995 was not recorded until the third quarter as previously discussed.

Conventional gas production increased by 0.6 Bcf from 3.9 Bcf in 1995's second quarter to 4.5 Bcf in the second quarter of 1996. The additional interests in the Worland Properties which were acquired in December 1995 and the first half of 1996 added 0.6 Bcf to 1996's second quarter production.

Gas revenues increased by $9.4 million, or 48%, in the first half of 1996. An increase in the average gas price of $0.61 per Mcf, or 60%, added $10.9 million to gas sales in the first half of 1996. This was partially offset by a $1.5 million reduction from a drop in gas production of 1.5 Bcf, or 8%. The San Juan Basin Transaction added $5.4 million to 1996's first half gas sales, which resulted in an increase of $0.30 per Mcf in Devon's total gas price. As discussed previously, the effects of this transaction on 1995's results were not recorded until the third quarter of that year. Therefore, 1995's first half results as reported in the consolidated financial statements do not include any effect of the San Juan Basin Transaction. As shown in the above tables, if the effects of this transaction had been recorded in the first half of 1995, gas sales for the first six months of 1996 would have exceeded gas sales for the first six months of 1995 by $3.5 million.

Coal seam gas averaged $1.36 per Mcf in the first half of 1996 compared to $0.73 per Mcf in the same period of 1995. The San Juan Basin Transaction added $0.60 per Mcf to the 1996 average price. The average price for conventional gas production in the first half of 1996 was $1.88 per Mcf. This compares to 1995's first half average for conventional gas production of $1.40 per Mcf.

Coal seam gas production in 1996's first six months was 9.0 Bcf, which was down by 2.4 Bcf from the 11.4 Bcf produced in the first half of 1995. Approximately 0.6 Bcf of such decrease was due to the fact that a small portion of Devon's coal seam gas interest was sold as part of the San Juan Basin Transaction. The effect of this sale is reflected in 1996's production quantities, but the effect on the first half of 1995 was not recorded until the third quarter as previously discussed.

Conventional gas production increased by 0.8 Bcf from
8.0 Bcf in 1995's first half to 8.8 Bcf in the first six months of 1996. The additional interests in the Worland Properties which were acquired in December 1995 and the first half of 1996 added 1.1 Bcf to 1996's first half conventional production.

NGL Revenues. NGL revenues increased by $1.6 million, or 115%, in the second quarter of 1996. An increase in production of 90,000 barrels, or 67%, added $0.9 million to the 1996 revenues. The additional interests acquired in the Worland Properties accounted for 57,000 barrels of the increase. The remaining $0.7 million of increase in NGL revenues was caused by a price increase of $3.02 per barrel, or 29%.

NGL revenues increased by $3.0 million, or 97%, in the first half of 1996. An increase in production of 179,000 barrels, or 66%, added $2.0 million to the 1996 revenues. The additional interests acquired in the Worland Properties accounted for 110,000 barrels of the increase. The remaining $1.0 million of increase in NGL revenues in the first half of 1996 was caused by a price increase of $2.14 per barrel, or 19%.

Production and Operating Expenses. Components of production and operating expenses in the second quarter and first half of 1996 increased or decreased compared to 1995 as shown in the tables below.

	Actual Reported Results(1) Three Months Ended June 30,			Actual Reported Results (1) Six Months Ended June 30,		
	1996	1995	Change	1996	1995	Change
Absolute						
Recurring operations and maintenance expenses	$ 6,833,763	5,578,820	+22%	13,380,005	11,168,811	+20%
Well workover expenses	921,311	974,543	-5%	1,793,248	2,149,873	-17%
Production taxes	2,345,996	1,557,222	+51%	4,487,913	3,233,678	+39%
Total production and operating expenses	$10,101,070	8,110,585	+25%	19,661,166	16,552,362	+19%
Per Boe						
Recurring operations and maintenance expenses	$2.58	2.21	+17%	2.55	2.21	+15%
Well workover expenses	0.35	0.39	-10%	0.34	0.43	-21%
Production taxes	0.88	0.62	+42%	0.85	0.64	+33%
Total production and operating expenses	$3.81	3.22	+18%	3.74	3.28	+14%

	Adjusted Results(2) Three Months Ended June 30,			Adjusted Results (2) Six Months Ended June 30,		
	1996	1995	Change	1996	1995	Change
Absolute						
Recurring operations and maintenance expenses	$ 6,833,763	5,566,666	+23%	13,380,005	11,142,715	+20%
Well workover expenses	921,311	974,543	-5%	1,793,248	2,149,873	-17%
Production taxes	2,345,996	1,540,141	+52%	4,487,913	3,197,148	+40%
Total production and operating expenses	$10,101,070	8,081,350	+25%	19,661,166	16,489,736	+19%
Per Boe						
Recurring operations and maintenance expenses	$2.58	2.26	+14%	2.55	2.26	+13%
Well workover expenses	0.35	0.39	-10%	0.34	0.43	-21%
Production taxes	0.88	0.62	+42%	0.85	0.65	+31%
Total production and operating expenses	$3.81	3.27	+17%	3.74	3.34	+12%

1 The 1995 columns in these tables reflect the results actually reported in the second quarter and the first half of 1995. These figures do not include the effect of the San Juan Basin Transaction. This transaction was effective January 1, 1995, but recognition of the financial effects of the transaction on Devon's operations was deferred until the third quarter of 1995 when a significant contingency was favorably resolved. The cumulative nine-month effect of the San Juan Basin Transaction was recorded entirely in the third quarter of 1995.

2 The 1995 columns in these tables present the results of the second quarter and the first half of 1995 which would have been reported if there had been no contingency at the time the San Juan Basin Transaction was executed.

Recurring operations and maintenance expenses increased by $1.3 million, or 22%, in the second quarter of 1996. The additional interests acquired in the Worland Properties accounted for $0.7 million of the increase. Also, as Devon has continued development of the properties acquired in the May 1994 merger, most notably the Grayburg-Jackson Field, more wells have come on line during the twelve months ended June 30, 1996. Therefore, the recurring expenses incurred on these properties increased by $0.3 million in the second quarter of 1996 compared to the same quarter in 1995.

Production taxes increased by $0.8 million, or 51%, in 1996's second quarter. This increase was primarily due to the increase in combined oil, gas and NGL revenues. Excluding the revenues generated by the San Juan Basin transaction which are not subject to production taxes, revenues in the second quarter of 1996 were up by 35% compared to the second quarter of 1995.

On a per unit of production basis, the recurring expenses per Boe were up by $0.37 per Boe, or 17%, in the second quarter of 1996. This was primarily due to the increase in Devon's mix of oil/gas production toward more oil production. Of Devon's total Boe production in the second quarter of 1996, 36% was oil production compared to 33% in the second quarter of 1995. Oil wells are generally more expensive to operate on a unit of production basis. However, oil wells also produce more revenues per unit of production than gas wells.

Production taxes per unit of production increased by $0.26 per Boe, or 42%, in the second quarter of 1996. This was primarily caused by the increase in the average price per Boe received in the 1996 quarter. Excluding the effect on the 1996 average price from the San Juan Basin Transaction, Devon's total revenues per Boe increased by 28% in the second quarter of 1996.

Recurring operations and maintenance expenses increased by $2.2 million, or 20%, in the first half of 1996. The additional interests acquired in the Worland Properties accounted for $1.2 million of the increase. The recurring expenses incurred on the properties acquired in the May 1994 merger, most notably the Grayburg-Jackson Field, increased by $0.5 million in the first half of 1996 compared to the first six months in 1995.

Production taxes increased by $1.3 million, or 39%, in 1996's first six months. This increase was primarily due to the increase in combined oil, gas and NGL revenues. Excluding the revenues generated by the San Juan Basin transaction which are not subject to production taxes, revenues in the first half of 1996 were up by 33% compared to the first half of 1995.

On a unit of production basis, the recurring expenses per Boe were up by $0.34 per Boe, or 15%, in the first half of 1996. As discussed above in the analysis of the quarterly results, this increase in the first six months of 1996 was primarily due to the shift toward a higher percentage of oil production. Of Devon's total Boe production in the first half of 1996, 35% was oil compared to 31% in the first half of 1995.

Production taxes per unit of production increased by $0.21 per Boe, or 33%, in the first half of 1996. This was primarily caused by the increase in the average price per Boe received in the first six months of 1996. Excluding the effect on the 1996 average price from the San Juan Basin Transaction, Devon's total revenues per Boe increased by 28% in the first half of 1996.

Depreciation, Depletion and Amortization Expenses ("DD&A"). Oil and gas property related DD&A increased by $0.7 million, or 8%, from $9.3 million in the second quarter of 1995 to $10.0 million in the second quarter of 1996. The increase in total oil, gas and NGL production of 133,000 Boe, or 5%, accounted for $0.5 million of the increase. The remaining $0.2 million increase was caused by a 3% increase in the DD&A rate from $3.68 per Boe in the second quarter of 1995 to $3.78 per Boe in the second quarter of 1996.

Oil and gas property related DD&A increased by $1.3 million, or 7%, from $18.4 million in the first half of 1995 to $19.7 million in the first half of 1996. The increase in total oil, gas and NGL production of 212,000 Boe, or 4%, accounted for $0.8 million of the increase. The remaining $0.5 million increase was caused by a 3% increase in the DD&A rate from $3.65 per Boe in the first six months of 1995 to $3.76 per Boe in the first half of 1996.

General and Administrative Expenses ("G&A"). G&A increased $0.3 million, or 16%, in the second quarter of 1996. The primary reason for the increase was a change in the second quarter of 1995 in the method used to calculate overhead reimbursements on certain properties operated by Devon. This change, which was retroactive to the prior two years, reduced G&A in the second quarter of 1995 by $0.2 million.

G&A increased $0.1 million, or 3%, in the first half of 1996. As described in the above paragraph, the retroactive change in the second quarter of 1995 regarding overhead reimbursements caused a $0.2 million reduction in G&A for the first half of 1995. Excluding the effect of this change, G&A for the first half of 1996 was $0.1 million lower than the first half of 1995.

Interest Expense. Interest expense increased by $0.7 million, or 41%, in the second quarter of 1996. The average debt balance outstanding rose from $93.9 million in the second quarter of 1995 to $152.4 million in the second quarter of 1996. This increase in average debt, which was primarily due to the funds borrowed to acquire the Worland Properties, caused interest expense in the 1996 quarter to increase by $1.1 million. This increase was partially offset by a $0.4 million decrease due to lower interest rates in the 1996 quarter. The annualized interest rate on the debt outstanding in the 1996 quarter was 6.1%, compared to 6.7% in the second quarter of 1995. The overall average interest rate (including the effect of various fees paid to the banks and the amortization of certain loan costs) during 1996's second quarter was 6.5%, compared to an overall rate in the second quarter of 1995 of 7.4%.

Interest expense increased by $1.4 million, or 40%, in the first half of 1996. The average debt balance outstanding rose from $94.3 million in the first six months of 1995 to $151.1 million in the first half of 1996, primarily due to the acquisition of the Worland Properties. The increase in the average debt balance caused interest expense in the first half of 1996 to increase by $2.1 million. This increase was partially offset by a $0.7 million decrease due to lower interest rates in 1996. The annualized interest rate on the debt outstanding in the first half of 1996 was 6.2%, compared to 6.8% in the first half of 1995. The overall average interest rate during the first half of 1996 was 6.6%, compared to an overall rate in the first six months of 1995 of 7.5%.

Devon entered into an interest rate swap agreement in the second quarter of 1995, and terminated the agreement on July 1, 1996 for a gain of $0.8 million. This gain will be recognized ratably in Devon's operating results as a reduction to interest expense during the period from July 1, 1996 to June 16, 1998 (the original expiration date of the swap agreement).

Income Taxes. During interim periods, income tax expense is based on the estimated effective tax rate which is expected for the entire fiscal year. The estimated effective tax rate in the second quarter and first half of 1996 was 43%, compared to 41% in the second quarter and first half of 1995. The increase in the 1996 rate was due to the San Juan Basin Transaction. The 41% rate estimated in 1995 was without the effect of such transaction, which was not recorded until the third quarter of 1995. After this transaction was recorded, the 1995 effective financial income tax rate was 43%, the same as the rate currently estimated for 1996.

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.

Approximately $14.0 million of deferred tax assets were included in the net deferred tax liability as of June 30, 1996. Of this amount, $6 million is for net operating loss carryforwards which expire between 1996 and 2008. The remaining $8 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 and average prices, management believes that taxable income during the carryforward periods will be sufficient to utilize substantially all of the carryforwards currently available. Devon expects the tax benefits from its net operating loss carryforwards to be utilized between 1996 and 2002. This is well before the 2006 expiration date for the majority of such benefits. However, based upon limitations imposed on the utilization of certain of the depletion carryforwards acquired in a 1994 merger, a $100,000 valuation allowance has been provided since such merger.

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 1996 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 by 28% from $33.4 million in the first half of 1995 to $42.6 million in the first half of 1996. Approximately $42.2 million was spent in the 1996 period for acquisitions, exploration and development costs, compared to $32.6 million in the 1995 period. Drilling and development costs on the Grayburg-Jackson Field totaled $12.6 million in the first six months of 1996 compared to $16.0 million in the first half of 1995. The 1996 capital expenditures also included $7.1 million to acquire additional interests in the Worland Properties.

Capital Resources and Liquidity. Net cash provided by operating activities ("operating cash flow") continued to be the primary source of capital and liquidity during the first half of 1996. Operating cash flow was $35.1 million in the first half of 1996, compared to $27.6 million in the first half of 1995.

Devon's credit lines were also a source of capital and liquidity in the first half of 1996. The total debt outstanding at the end of the second quarter of 1996 was $155 million, up from $143 million at the beginning of 1996. In early July 1996, the $155 million of debt outstanding under the credit lines was eliminated. This was done primarily with the proceeds of the issuance of 6.5% trust convertible preferred securities (the "TCP Securities") as discussed in note 4 to the consolidated financial statements included elsewhere herein. Devon's credit lines allow for total borrowings of up to $260 million. After the July 1996 payments, all $260 million is available for future borrowings. The TCP Securities are subordinate to any balances outstanding under Devon's credit lines. Therefore, the securities offering and related debt repayment increase Devon's credit lines available for future investment. The offering also effectively fixes the rate on $149.5 million of capital, reducing the Company's exposure to future changes in interest rates.

1996 Estimates

The 1995 annual report on Form 10-K contained forward-looking information for the year 1996. Where necessary, that information has been revised in the following discussion. The forward-looking information provided herein is based on management's examination of historical operating trends, the December 31, 1995 reserve report of LaRoche & Associates, data in Devon's files and other data available from third parties. The forward-looking information in this discussion was prepared assuming demand, curtailment, producibility and general market conditions for Devon's oil, natural gas and NGL for the second half of 1996 will be substantially similar to those for 1995 and for the first half of 1996, unless otherwise noted. Devon cautions that its future oil, gas and NGL production and expenses are subject to all of the risks and uncertainties normally incident to the exploration for and development and production of oil, gas and NGL. These risks include, but are not limited to, environmental risks, drilling risks and the uncertainty inherent in estimating future oil, gas and NGL production and reserves.

Discussed below are those areas where significant revisions have been made to the 1996 estimates originally included in "Management's Discussion and Analysis of Financial Condition and Results of Operations - 1996 Estimates" in Devon's 1995 annual report on Form 10-K.

Oil Revenues. Though oil production has risen more or less steadily in the last several quarters, these gains are not expected to continue for the second half of 1996. Therefore, the company expects full year 1996 oil production to be between 3.5 million barrels and 3.9 million barrels, or approximately 12% higher than that for 1995. Previously, 1996 oil production had been estimated to be between 3.7 million and 4.3 million barrels.

Conversely, Devon's oil prices have been and are expected to continue to be above prior estimates. The expected range of Devon's oil price for the full year 1996 has been revised upward to between $0.25 and $0.45 per barrel higher than West Texas Intermediate posted prices. For 1995, Devon's oil prices averaged $0.02 below West Texas Intermediate prices.

Gas Revenues. Based upon actual gas production of 17.8 Bcf for the first half of 1996 and anticipated enhancements of Devon's Northeast Blanco Unit during the second half of 1996, full year gas production is expected to be between 34.6 and 38.5 billion Bcf. Previously, 1996 gas production had been estimated to be between 34.6 Bcf and 40.3 Bcf.

Interest Expense/Distributions on TCP Securities. Devon's long-term debt was totally retired in early July 1996 with the proceeds from the offering of the TCP Securities and with operating cash flow. Based on Devon's estimate of operating cash flow for the last half of the year, and assuming that no significant acquisitions occur during this period, no significant borrowings from Devon's credit lines are expected during the last six months of the year. Therefore, interest expense for the last half of the year should consist of only that for the first ten days of July when debt was outstanding, plus commitment/facility fees paid to the banks on the Company's credit lines. The recognition of the gain from terminating the interest rate swap agreement will partially offset the commitment/facility fees. This is expected to result in total interest expense for the year 1996 of approximately $5.2 million.

However, the TCP Securities will require $4.8 million of distributions during the last half of the year. These distributions will be recorded as a charge to earnings. Since these distributions are tax deductible, the net effect of these distributions on earnings and cash flow will be similar to bank interest expense. The $5.2 million in interest paid previously and the $4.8 million for TCP distributions will produce total financing costs of approximately $10 million for 1996. This is well within the $9 million to $11 million range for total interest expense estimated previously.

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) The Company's annual meeting of shareholders was held in Oklahoma City, Oklahoma at 1:00 p.m. local time, on Wednesday, June 11, 1996.

(b) Proxies for the meeting 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 and all nominees were elected.

(c) Out of a total of 22,113,896 shares of the Company's common stock outstanding and entitled to vote, 19,664,535 shares were present at the meeting in person or by proxy, representing approximately 89 percent. Matters voted upon at the meeting were as follows:

(i) Election of two directors to serve on the Company's board of directors until the 1999 annual meeting of shareholders. The vote tabulation with respect to each nominee was as follows:

Nominee	For	Authority Withheld
Michael E. Gellert	19,577,198	86,902
H. R. Sanders, Jr.	19,496,375	168,160

(ii) The appointment of KPMG Peat Marwick LLP, the U.S. member firm of KPMG (Klynveld Peat Marwick Goerdeler) as the Company's certified public accountants for 1996 was approved by a vote of 19,640,461 shares for, 17,015 shares against, 6,774 shares abstaining and zero broker non-votes.

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 and Reorganization by and among Registrant and Devon Energy Corporation, a Delaware corporation, dated as of April 13, 1995 (incorporated by reference to Exhibit A to Registrant's definitive Proxy Statement for its 1995 Annual Meeting of Shareholders filed on April 21, 1995).

2.2 Agreement and Plan of Merger by and among Devon Energy Corporation, Devon Acquisition Corp. and Alta Energy Corporation dated February 18, 1994
[incorporated by reference to Exhibit 2.1 to Registrant's Registration Statement on Form S-4 (No. 33-76524)].

2.3 Amendment to Agreement and Plan of Merger by and among Devon Energy Corporation, Devon Acquisition Corp.

and Alta Energy Corporation dated April 13, 1994 [incorporated by reference to Exhibit 2.2 to Amendment No. One to Registrant's Registration Statement on Form S-4 (No. 33-76524)].

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 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 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).

4.4 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)].

4.5 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)].

4.6 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)].

4.7 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 Registrant's Registration Statement on Form S-3 (No. 333-00815)].

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

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

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

10.1 Credit Agreement dated October 7, 1994, 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, 1994).

10.2 First Amendment, dated January 27, 1995, to Credit Agreement 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 10.2 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1994).

10.3 Second Amendment, dated March 4, 1996, to Credit Agreement 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 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996).

10.4 Third Amendment, dated June 26, 1996, to Credit Agreement 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.

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

10.6 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).*

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

10.8 Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. H.R. Sanders, Jr., dated December 3, 1992 (incorporated by reference to Exhibit 10.11 to Registrant's Amendment No. 1 to Annual Report on Form 10-K for the year ended December 31, 1992).*

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

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

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

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

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

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

10.15 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).

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

11 Computation of earnings per share

(b) Reports on Form 8-K

No reports on Form 8-K have been filed during the three months ended June 30, 1996. A report on Form 8-K was filed on July 2, 1996. The report contained the June 18, 1996 press release announcing the offering of the Trust Convertible Preferred Securities which are discussed in Part I, Items 1 and 2 of this quarterly report on Form 10-Q.

* Compensatory plans or arrangements.

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: August 13, 1996

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

EXHIBIT INDEX

		Page
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4.6	Indenture dated as of July 3, 1996, between the Registrant and The Bank of New York.	*
4.7	First Supplemental Indenture dated as of July 3, 1996, between the Registrant and The Bank of New York.	*
4.8	Forms of 6 1/2% Preferred Convertible Securities (included as Exhibit A-1 to Exhibit 4.5 above).	*
4.9	Form of 6 1/2% Convertible Junior Subordinated Debentures (included in Exhibit 4.7 above).	*

4.10	Preferred Securities Guarantee Agreement dated July 3, 1996, between the Registrant, as Guarantor, and The Bank of New York, as Preferred Guaranteed Trustee.	*
10.1	Credit Agreement dated October 7, 1994, 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.	*
10.2	First Amendment, dated January 27, 1995, to Credit Agreement 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.	*
10.3	Second Amendment, dated March 4, 1996, to Credit Agreement 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.	*
10.4	Third Amendment, dated June 26, 1996, to Credit Agreement 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.	32
10.5	Devon Energy Corporation [a Delaware corporation] 1988 Stock Option Plan.	*
10.6	Devon Energy Corporation 1993 Stock Option Plan.	*
10.7	Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. J. Larry Nichols, dated December 3, 1992.	*
10.8	Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. H. R. Sanders, Jr., dated December 3, 1992.	*
10.9	Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. J. Michael Lacey, dated December 3, 1992.	*

10.10	Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. H. Allen Turner, dated December 3, 1992.	*
10.11	Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. Darryl G. Smette, dated December 3, 1992.	*
10.12	Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. William T. Vaughn, dated December 3, 1992.	*
10.13	Sale and Purchase Agreement relating to Registrant's San Juan Basin gas properties.	*
10.14	Second Restatement of and Amendment to Sale and Purchase Agreement relating to Registrant's San Juan Basin gas properties.	*
10.15	Purchase and Sale Agreement between Union Oil Company of California and Devon Energy Corporation (Nevada).	*
10.16	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	45

* Incorporated by reference.

Exhibit 11

DEVON ENERGY CORPORATION
Computation of Earnings Per Share

	Three Months Ended June 30, 1996	1995	Six Months Ended June 30, 1996	1995
PRIMARY EARNINGS PER SHARE				
Computation for Statement of Operations				
Net earnings per statement of operations	$ 6,775,388	2,444,422	12,329,314	3,471,224
Weighted average common shares outstanding	22,121,786	22,052,149	22,117,138	22,051,576
Primary earnings per common share	$0.31	0.11	0.56	0.16

<F1>

Additional Primary Computation (A)				
Net earnings per statement of operations	$ 6,775,388	2,444,422	12,329,314	3,471,224
Adjustment to weighted average common shares outstanding:				
Weighted average as shown above in primary computation	22,121,786	22,052,149	22,117,138	22,051,576
Add dilutive effect of outstanding stock options (as determined using the treasury stock method)	165,700	145,740	149,357	124,318
Weighted average common shares outstanding, as adjusted	22,287,486	22,197,889	22,266,495	22,175,894
Net earnings per common share, as adjusted	$0.30	0.11	0.55	0.16

<F1>

FULLY DILUTED EARNINGS PER SHARE (A)				
Net earnings per statement of operations	$ 6,775,388	2,444,422	12,329,314	3,471,224
Weighted average common shares outstanding as shown in primary computation above	22,121,786	22,052,149	22,117,138	22,051,576
Add fully dilutive effect of outstanding stock options (as determined using the treasury stock method)	170,301	148,337	173,376	148,619
Weighted average common shares outstanding, as adjusted	22,292,087	22,200,486	22,290,514	22,200,195
Fully diluted earnings per common share	$0.30	0.11	0.55	0.16

<F1>
(A) These calculations 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	6 MOS
FISCAL YEAR END	DEC 31 1996
PERIOD END	JUN 30 1996
CASH	14133116
SECURITIES	0
RECEIVABLES	16817937
ALLOWANCES	0
INVENTORY	710877
CURRENT ASSETS	33413187
PP&E	672429250
DEPRECIATION	259816341
TOTAL ASSETS	450610296
CURRENT LIABILITIES	13992198
BONDS	155000000
PREFERRED MANDATORY	2213090
PREFERRED	0
COMMON	0
OTHER SE	227989004
TOTAL LIABILITY AND EQUITY	450610296
SALES	36743221
TOTAL REVENUES	37298613
CGS	0
TOTAL COSTS	0
OTHER EXPENSES	10101070
LOSS PROVISION	0
INTEREST EXPENSE	2460924
INCOME PRETAX	11886388
INCOME TAX	5111000
INCOME CONTINUING	6775388
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	6775388
EPS PRIMARY	0.31
EPS DILUTED	0.31

Exhibit 10.4

THIRD AMENDMENT TO CREDIT AGREEMENT

THIS THIRD AMENDMENT TO CREDIT AGREEMENT (herein called this "Amendment") is made as of the 26th day of June, 1996, by and among DEVON ENERGY CORPORATION (NEVADA), as Borrower ("Borrower"), DEVON ENERGY CORPORATION ("Parent") and DEVON
ENERGY OPERATING CORPORATION ("DEOC"), as guarantors,
NATIONSBANK OF TEXAS, N.A., as Agent ("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 ("Lenders").

WHEREAS, Borrower, Parent, DEOC, Agent and Lenders have entered into that certain Credit Agreement dated as of October 7, 1994, as amended by a First Amendment to Credit Agreement dated January 27, 1995 and a Second Amendment to Credit Agreement dated March 4, 1996 (the "Original Agreement"); and

WHEREAS, Parent and DEOC have guaranteed to Agent and Lenders the payment of the Notes and of all other sums payable under the Credit Agreement and the other Loan Documents pursuant to their respective Guaranties; and

WHEREAS, Borrower, Parent, DEOC, Agent and Lenders desire to amend the Original Agreement as herein provided;

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 Lenders to 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 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 1.2.

"Amendment" means this Third Amendment to Credit Agreement.

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

ARTICLE II -- Amendments

Section 2.1. Defined Terms. (a) Section 1.1 of the Original Agreement is hereby amended by adding the definitions of "Devon Trust", "Devon Trust Declaration", "Devon Trust Securities", "Subordinated Parent Debentures", "Subordinated Parent Guarantee" and "Subordinated Parent Indenture" to read as follows:

"Devon Trust" means Devon Financing Trust, a statutory business trust to be formed under the laws of the State of Delaware pursuant to the Devon Trust Declaration and that certain Certificate of Trust, to be filed with the Delaware Secretary of State on or about June 28, 1996.

"Devon Trust Declaration" means that certain Declaration of Trust, to be dated on or about July 1, 1996, among Parent, as sponsor, and the trustees of Devon Trust, forming Devon Trust.

"Devon Trust Securities" means those certain Trust Convertible Preferred Securities, to be issued by Devon Trust pursuant to the Devon Trust Declaration, in an amount of up to 3,000,000.

"Subordinated Parent Debentures" means those certain Convertible Junior Subordinated Debentures, to be issued by Parent to Devon Trust pursuant to the Parent Indenture and subordinated to the Obligations, in the aggregate principal amount of up to $155,000,000.

"Subordinated Parent Guarantee" means that certain Guarantee, to be dated on or about July 1, 1996, by Parent in favor of the holders of the Devon Trust Securities and subordinated to the Obligations, guaranteeing certain payments to be made by Devon Trust pursuant to the Devon Trust Securities.

"Subordinated Parent Indenture" means that certain Trust Indenture, to be dated on or about July 1, 1996, among Parent and the indenture trustee named therein, pursuant to which the Subordinated Parent Debentures and Subordinated Parent Guarantee are to be issued.

Section 2.2. Organization and Good Standing. The first sentence of Section 4.1(b) of the Original Agreement is hereby amended in its entirety to read as follows:

(b) Organization and Good Standing. Each Restricted Person which is a corporation, partnership or business trust is duly organized, validly existing and in good standing under the laws of its state of organization or formation, having all corporate, partnership or business trust powers required to carry on its business and enter into and carry out the transactions contemplated hereby.

Section 2.3. Maintenance of Existence and Qualifications. Section 5.1(f) of the Original Agreement is hereby amended in its entirety to read as follows:

(f) Maintenance of Existence and Qualifications. Each Restricted Person which is a corporation, partnership or business trust will maintain and preserve its corporate, partnership or business trust existence and its rights and franchises in full force and effect and will qualify to do business as a foreign corporation, partnership or business trust in all states or jurisdictions where required by applicable law.

Section 2.4. Limitation on Debt. Section 5.2(a) of the Original Agreement is hereby amended by changing the "." at the end of subparagraph (ix) to a ";" and adding a new subparagraph (x), to read as follows:

(x) obligations under the Subordinated Parent Indenture, the Subordinated Parent Debentures and the Subordinated Parent Guarantee; provided, the provisions of the Subordinated Parent Indenture, Subordinated Parent Debentures (with an interest rate of not more than 7.25%), the Subordinated Parent Guarantee (including without limitation the subordination provisions contained in the Subordinated Parent Indenture, the Subordinated Parent Debentures and the Subordinated Parent Guarantee), the Devon Trust Declaration and the Devon Trust Securities shall not materially differ from the most- recent drafts of such documents furnished to Lenders.

Section 2.5. Limitation on Intercompany Transfers.
Section 5.2(c) of the Original Agreement is hereby amended by:

(a) amending the parenthetical in subparagraph (iv) to read as follows:

(other than DEOC, Devon Trust and each other)

(b) changing the "." at the end of subparagraph (vii) to a ";" and adding a new subparagraph (viii), to read as follows:

(viii) (A) Parent may make a capital contribution of up to $6,000,000 to Devon Trust to purchase common securities of Devon Trust, provided that both immediately before and immediately after any such proposed capital contribution, no Default is continuing; and (B) Parent may pay quarterly interest payments on the Subordinated Parent Debentures to Devon Trust, pursuant to the express terms of the Subordinated Parent Debentures, and Devon Trust may pay quarterly cash dividends to the holders of the Devon Trust Securities pursuant to the express terms of the Devon Trust Securities, provided that both immediately before and immediately after any such proposed interest payment and dividend payment, Parent is in compliance with Section 5.2(k) and no Default under
Section 7.1(a), 7.1(f) or 7.1(h) is continuing.

Section 2.6. Limitation on Mergers, Issuances of Securities. Section 5.2(e) of the Original Agreement is hereby amended in its entirety to read as follows:

(e) Limitation on Mergers, Issuances of Securities. No Restricted Person will merge or consolidate with or into any other Person, except that (i) any Related Person which is a Subsidiary of Parent (other than Borrower) may be consolidated with Borrower, Parent or DEOC so long as Borrower, Parent or DEOC is the surviving entity and
(ii) any Subsidiaries of Parent (other than Borrower) may merge or consolidate with or into each other so long as the surviving entity is a Guarantor. No Restricted Person (other than Parent and Devon Trust) will issue any additional shares of its capital stock, additional partnership interests or other securities or any options, warrants or other rights to acquire such additional shares, partnership interests or other securities except to a Restricted Person of which such issuer is already directly or indirectly a Subsidiary and only to the extent not otherwise forbidden under the terms hereof. Devon Trust will not issue any securities except common securities to Parent and the Devon Trust Securities. Borrower and DEOC will at all times remain wholly-owned Subsidiaries of Parent, Parent will at all times own all of the outstanding common securities of Devon Trust, and no Restricted Person will allow any diminution of Borrower's, DEOC's or Parent's interest (direct or indirect) therein. Parent will not issue or have outstanding any securities other than its common or preferred stock, the Subordinated Parent Guarantee and the Subordinated Parent Debentures.

Section 2.7. Working Capital and Current Ratio. Section 5.2(j) of the Original Agreement is hereby amended by adding a new sentence at the end of such Section 5.2(j), to read as follows:

For purposes of the foregoing, all accrued interest payments on the Subordinated Parent Debentures and all dividend payments on the Devon Trust Securities shall (without duplication) be deemed to be and shall be included in Parent's Consolidated current liabilities as defined by

GAAP.

Section 2.8. Tangible Net Worth. Section 5.2(k) of the Original Agreement is hereby amended in its entirety to read as follows:

(k) Tangible Net Worth. The ratio of (i) Parent's Consolidated Debt to (ii) Parent's Consolidated Tangible Net Worth will never be greater than 1.25 to 1.0. Parent's Consolidated Tangible Net Worth will never be less than:

(i) $145,000,000, plus

(ii) seventy percent (70%) of the proceeds (net only of costs of sale) from the issuance of the Subordinated Parent Debentures, plus

(iii) seventy-five percent (75%) of Parent's Cumulative Consolidated Net Income, to the extent Parent's Cumulative Consolidated Net Income is greater than zero, plus

(iv) one hundred percent (100%) of the proceeds (net only of costs of sale) from any issuance after March 31, 1993 of any shares of Parent's common or preferred stock or any other securities, other than the Subordinated Parent Debentures (including any options, warrants or other rights to acquire such stock) which Parent issues after such date, provided that Parent shall comply with the provisions of Section 5.2(e) hereof in connection with any such issuance.

As used in this subsection:

"Parent's Consolidated Debt" means all Consolidated liabilities and similar balance sheet items of Parent, together with all other contingent and indirect liabilities (including without limitation any guaranties) of Parent or any of Parent's Subsidiaries which are of a character required to be included in Parent's audited Consolidated annual financial statements described in Section 5.1(b), other than deferred taxes. Notwithstanding the foregoing, for the purposes of determining "Parent's Consolidated Debt", the outstanding principal amount of the Subordinated Parent Debentures shall not be included.

"Parent's Consolidated Tangible Net Worth" means (A) all Consolidated assets of Parent, other than intangible assets (including without limitation as intangible assets such assets as patents, copyrights, licenses, franchises, goodwill, trade names, trade secrets and leases other than oil, gas or mineral leases or leases required to be capitalized under GAAP), plus (B) the amount spent by Parent, if any, to purchase, redeem, acquire or otherwise retire shares of the capital stock of Parent as provided in Section 5.2(d), minus (C) Parent's Consolidated Debt and deferred taxes. For the purposes of determining "Parent's Consolidated Tangible Net Worth", no adjustments shall be made to the book value of Parent's Consolidated oil and gas assets which would otherwise be required after March 31, 1992 pursuant to the limitation on capitalized costs contained in Regulation Section 210.4-10(i)(4) of the Securities and Exchange Commission.

Section 2.9. Amendment of Contracts; ERISA Plans. The first sentence of Section 5.2(l) of the Original Agreement is hereby amended in its entirety to read as follows:

(l) Amendment of Contracts; ERISA Plans. Borrower will not amend or permit any amendment of the B&N Partnership Agreement, Parent will not amend its guaranty referred to in Section 5.2(a)(8), and no Related Person will amend or permit any amendment of any agreement, document or instrument delivered in connection with the Subordinated Debt, the Subordinated Parent Debentures or the Devon Trust Securities without the written consent of Majority Lenders.

Section 2.10. Devon Trust; Devon Trust Securities.
Section 5.2 of the Original Agreement is hereby amended by adding a new subsection 5.2(m) immediately following Section 5.2(l), to read as follows:

(m) Devon Trust; Devon Trust Securities. Devon Trust shall exist for the exclusive purposes of (A) issuing the Devon Trust Securities, (B) investing the gross proceeds of the Devon Trust Securities in the Subordinated Parent Debentures and (C) engaging in only those other activities necessary or incidental thereto. Parent shall exercise its option to defer interest payments on the Subordinated Parent Debentures rather than default on such interest payments. Devon Trust shall not be dissolved without prior written notice by Parent to Majority Lenders. Devon Trust shall not redeem the Devon Trust Securities prior to their stated maturity, and Parent shall not prepay or redeem the Subordinated Parent Debentures prior to their stated maturity, unless both immediately before and immediately after any such proposed prepayment or redemption, Parent is in compliance with Section 5.2(k) and no Default under Section 7.1(a), 7.1(f) or 7.1(h) is continuing.

Section 2.11. Guaranties of Subsidiaries. The parenthetical in the first sentence of Section 6.2 of the Original Agreement is hereby amended in its entirety to read as follows:

(other than Borrower, Parent, DEOC, Devon Trust or B&N Partnership)

Section 2.12. Events of Default. Section 7.1(f) of the Original Agreement is hereby amended in its entirety to read as follows:

(f) Any Related Person (i) fails to duly pay any Debt constituting principal or interest owed by it with respect to borrowed money or money otherwise owed under any note, bond, or similar instrument, including without limitation the Subordinated Parent Debentures and the Devon Trust Securities, or (ii) fails to pay when the same becomes due and payable any other Debt in excess of $100,000 (other than trade payables outstanding in compliance with Section 5.1(g)(iii)), or (iii) breaches or defaults in the performance of any agreement or instrument by which any Debt described in the preceding clauses (i) or (ii) is issued, evidenced, governed, or secured, and any such failure, breach or default continues beyond any applicable period of grace provided therefor;

ARTICLE III. -- Conditions of Effectiveness

Section 3.1. Effective Date. This Amendment shall become effective as of the date first above written when, and only when, (i) Agent shall have received, at Agent's office, a counterpart of this Amendment executed and delivered by Borrower and each Lender, and (ii) Agent shall have additionally received all of the following documents, each document (unless otherwise indicated) being dated the date of receipt thereof by Agent, duly authorized, executed and delivered, and in form and substance satisfactory to Agent:

(a) Officer's Certificate. Agent shall have received a certificate of a duly authorized officer of Borrower to the effect that all of the representations and warranties set forth in Article IV hereof are true and correct at and as of the time of such effectiveness.

(b) Supporting Documents. Agent shall have received (i) a certificate of the Secretary of Borrower dated the date of this Amendment certifying that attached thereto is a true and complete copy of resolutions adopted by the Board of Directors of Borrower authorizing the execution, delivery and performance of this Amendment and certifying the names and true signatures of the officers of Borrower authorized to sign this Amendment and (ii) such supporting documents as Agent may reasonably request.

ARTICLE IV -- Miscellaneous

Section 4.1. Ratification of Agreements. The Original Agreement is hereby ratified and confirmed in all respects. Any reference to the Credit Agreement in any Loan Document shall be deemed to refer to the Original Agreement as amended hereby. Any reference to the Notes in any other Loan Document shall be deemed to be a reference to the Notes issued and delivered pursuant to this Amendment. Each of Parent and DEOC hereby consents to the provisions of this Amendment and hereby ratifies and confirms its Guaranty and agrees that its obligations and covenants thereunder are unimpaired hereby and shall remain in full force and effect.

Section 4.2. Representations. Each of Borrower, Parent and DEOC represent and warrant that the representations and warranties contained in Section 4.1 and Section 9.1(b) of the Credit Agreement are true and correct at and as of the date hereof (taking into account the fact that this Amendment and the Notes issued in connection herewith are each a Loan Document as referred to in such Sections). Each of Borrower, Parent and DEOC represent and warrant that the resolutions of their respective Boards of Directors, attached as Exhibits A, B and C to that certain Omnibus Certificate dated as of October 7, 1994, given on behalf of Borrower, Parent and DEOC in connection with the Original Agreement, remain in full force and effect on the date hereof.

Section 4.3. Survival of Agreements. All representations, warranties, covenants and agreements of Borrower, Parent or DEOC herein shall survive the execution and delivery of this Amendment and the Notes issued in connection herewith and the performance hereof and shall further survive until all of the Obligations are paid in full.

Section 4.4. Governing Law. This Amendment shall be governed by and construed in accordance with 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 4.5. Counterparts. 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 shall, when executed by each party hereto, take effect as of the date first above written.

Section 4.7. Loan Documents. This Amendment is a Loan Document, and all provisions in the Credit Agreement applying to Loan Documents (including, without limitation, Section 9.1(b) thereof) apply hereto.

THIS WRITTEN AGREEMENT AND THE OTHER LOAN DOCUMENTS REPRESENT THE FINAL AGREEMENT BETWEEN THE PARTIES AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES.

THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

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

DEVON ENERGY CORPORATION (NEVADA)

By:

H.R. Sanders, Jr., Executive Vice President

DEVON ENERGY CORPORATION

By:
Name: H.R. Sanders, Jr.
Title: Executive Vice President

DEVON ENERGY OPERATING CORPORATION

By:
Name: H.R. Sanders, Jr.
Title: Executive Vice President

NATIONSBANK OF TEXAS, N.A.

By:
Name:
Title:

BANK ONE, TEXAS, N.A.

By:
Name:
Title:

BANK OF MONTREAL

By:
Name:
Title:

**FIRST UNION NATIONAL BANK
OF NORTH CAROLINA**

By:
Name:
Title:

CONSENT OF GUARANTOR

Avon Energy Corporation hereby consents to the foregoing Amendment and the transactions contemplated therein and hereby ratifies and confirms its obligations under its certain Guaranty dated as of October 7, 1994 in favor of Agent, as agent for the Lenders. This Consent is executed as of the date of the Amendment.

AVON ENERGY CORPORATION

By:
Name: H. R. Sanders, Jr.
Title: Executive Vice President
