

DEVON ENERGY CORP /OK/

FORM 10-Q (Quarterly Report)

Filed 07/22/97 for the Period Ending 06/30/97

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

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Address	20 N BROADWAY STE 1500 OKLAHOMA CITY, Oklahoma 73102-8260
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Fiscal Year	12/31

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

OR

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

For Quarter Ended June 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) 20 North Broadway, Suite 1500 Oklahoma City, Oklahoma (Address of Principal Executive Offices)	73-1474008 (I.R.S. Employer Identification Number) 73102 (Zip Code)
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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 No .

The number of shares outstanding of Registrant's common stock, par value \$.10, as of July 15, 1997, was 32,217,495.

1 of 58 total pages

(Exhibit Index is found at page 28)

DEVON ENERGY CORPORATION

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to the Securities and Exchange Commission

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DEVON ENERGY CORPORATION

Part I. Financial Information

Item 1. Consolidated Financial Statements June 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

	June 30, 1997 (Unaudited)	December 31, 1996
Assets		
Current assets:		
Cash and cash equivalents	\$ 42,844,904	9,401,350
Accounts receivable	39,272,324	29,580,306
Inventories	2,079,219	2,103,486
Prepaid expenses	1,916,454	688,752
Deferred income taxes	1,600,000	1,600,000
Total current assets	87,712,901	43,373,894
Property and equipment, at cost, based on the full cost method of accounting for oil and gas properties		
	1,023,727,223	974,805,756
Less: Accumulated depreciation, depletion and amortization	321,535,816	281,959,410
	702,191,407	692,846,346
Other assets	11,160,793	10,030,560
Total assets	\$ 801,065,101	746,250,800
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable:		
Trade	11,187,574	4,861,428
Revenues and royalties due to others	13,434,903	10,569,960
Income taxes payable	2,725,114	4,705,447
Accrued expenses	2,161,587	3,503,420
Total current liabilities	29,509,178	23,640,255
Revenues and royalties due to others	1,043,660	1,053,270
Other liabilities	12,158,592	10,325,999
Long-term debt	-	8,000,000
Deferred revenue	1,091	205,859
Deferred income taxes	99,216,000	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		
32,178,595 in 1997 and 32,141,295 in 1996	3,217,860	3,214,130
Additional paid-in capital	388,930,620	388,090,930
Retained earnings	117,938,898	81,099,357
Cumulative currency translation adjustment	(450,798)	-
Total stockholders' equity	509,636,580	472,404,417
Total liabilities and stockholders' equity	\$ 801,065,101	746,250,800

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,	
	1997	1996	1997	1996
Revenues				
Oil sales	\$32,060,026	19,507,458	69,590,006	35,652,252
Gas sales	30,175,836	14,212,694	73,413,977	28,834,328
Natural gas liquids sales	5,523,964	3,023,069	11,327,885	5,990,870
Other	1,891,956	555,392	3,219,560	869,223
Total revenues	69,651,782	37,298,613	157,551,428	71,346,673
Costs and expenses				
Lease operating expenses	14,528,284	7,755,074	30,340,921	15,173,253
Production taxes	3,745,547	2,345,996	9,055,391	4,487,913
Depreciation, depletion and amortization	20,597,744	10,461,179	40,142,296	20,588,163
General and administrative expenses	3,606,610	2,389,052	6,236,495	4,524,950
Interest expense	28,231	2,460,924	159,038	4,942,080
Distributions on preferred securities of subsidiary trust	2,429,376	-	4,858,751	-
Total costs and expenses	44,935,792	25,412,225	90,792,892	49,716,359
Earnings before income taxes	24,715,990	11,886,388	66,758,536	21,630,314
Income tax expense				
Current	3,500,000	1,545,000	8,545,000	2,812,000
Deferred	6,386,000	3,566,000	18,158,000	6,489,000
Total income tax expense	9,886,000	5,111,000	26,703,000	9,301,000
Net earnings	\$14,829,990	6,775,388	40,055,536	12,329,314
Net earnings per average common share outstanding (Note 2):				
Assuming no dilution	\$0.46	0.31	1.25	0.56
Assuming full dilution	0.44	0.31	1.15	0.56
Weighted average common shares outstanding				
	32,165,904	22,121,786	32,153,667	22,117,138

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 30,	
	1997	1996
Cash flows from operating activities		
Net earnings	\$ 40,055,536	12,329,314
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, depletion and amortization	40,142,296	20,588,163
(Gain) loss on sale of assets	(26,681)	(39,011)
Deferred income taxes	18,158,000	6,489,000
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(9,798,563)	(2,417,642)
Inventories	17,285	20,679
Prepaid expenses	(1,228,235)	(780,122)
Other assets	(42,005)	212,027
Increase (decrease) in:		
Accounts payable	9,900,406	(1,850,332)
Income taxes payable	(1,962,110)	459,433
Accrued expenses	(1,517,493)	(362,923)
Revenues and royalties due to others	(9,610)	230,256
Long-term other liabilities	268,798	232,507
Deferred revenue	(204,768)	(32,759)
Net cash provided by operating activities	93,752,856	35,078,590
Cash flows from investing activities		
Proceeds from sale of property and equipment	1,307,310	1,435,378
Capital expenditures	(51,895,414)	(42,643,295)
Net cash used in investing activities	(50,588,104)	(41,207,917)
Cash flows from financing activities		
Proceeds from borrowings on revolving lines of credit	1,847,750	16,000,000
Principal payments on revolving line of credit	(9,843,750)	(4,000,000)
Issuance of common stock	843,418	159,125
Dividends paid on common stock	(3,215,995)	(1,327,343)
Increase in long-term other liabilities	680,377	532,770
Net cash provided (used) by financing activities	(9,688,200)	11,364,552
Effect of exchange rate changes on cash	(32,998)	-
Net increase in cash and cash equivalents	33,443,554	5,235,225
Cash and cash equivalents at beginning of period	9,401,350	8,897,891
Cash and cash equivalents at end of period	\$ 42,844,904	14,133,116

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 June 30, 1997, and the results of their operations and their cash flows for the three month and six month periods ended June 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 June 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 six month periods ended June 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 June 30, 1997:			
Net earnings per share, assuming no dilution	\$14,829,990	32,165,904	\$0.46
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)	-	402,184	
Net earnings per share, assuming full dilution	\$16,336,479	37,469,595	\$0.44
Six Months Ended June 30, 1997:			
Net earnings per share, assuming no dilution	\$40,055,536	32,153,667	\$1.25
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 \$1,926,000)	3,012,977	4,901,507	

Potential common shares issuable upon the exercise of employee stock options (calculated using the treasury stock method)	-	405,837	
Net earnings per share, assuming full dilution	\$43,068,513	37,461,011	\$1.15

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

The following discussion addresses material changes in results of operations for the three month and six month periods ended June 30, 1997, compared to the three month and six month periods ended June 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 second quarter and year-to-date periods.

Production for the second quarter of 1997 totaled 5.1 million Boe of oil, gas and natural gas liquids ("NGL"). This was an increase of 91% over the second quarter of 1996. Revenues for the second quarter of 1997 were \$69.7 million, an increase of 87% over the prior year's second quarter. Net earnings for the 1997 quarter were \$14.8 million, or \$0.46 per share. The 1997 net earnings were 119% above the prior year's quarterly results. The 1997 per share amount was 48% above the comparable 1996 amount, with approximately 10 million more shares outstanding in the 1997 period. The cash margin¹ for the second quarter of 1997 also increased significantly to \$41.8 million, an increase of 101% over the 1996 second quarter's cash margin of \$20.8 million.

Year-to-date production from the first six months of 1997 totaled 10.0 million Boe. This was 91% greater than the total for the first half of 1996. Revenues for the first half of 1997

<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.

were \$157.6 million, an increase of 121% over the comparable 1996 period's revenues. Net earnings for the first six months of 1997 were \$40.1 million, or \$1.25 per share. The 1997 earnings were 225% above the 1996 six-month total. The 1997 per share amount was 123% above the comparable 1996 amount, with approximately 10 million more shares outstanding in the 1997 period. The cash margin for the first half of 1997 was \$98.4 million, an increase of 150% over the first half of 1996's cash margin of \$39.4 million.

Results of Operations

Total revenues increased by \$32.4 million, or 87%, in the second quarter of 1997 compared to the second quarter of 1996, and by \$86.2 million, or 121%, in the first half 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 84% in the second quarter of 1997, and 119% in the first half 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.)

	Three Months Ended			Total		
	1997	June 30, 1996	Change	1997	June 30, 1996	Change
Production						
Oil (Bbls)	1,738,187	956,663	+82%	3,493,452	1,831,178	+91%
Gas (Mcf)	17,314,448	8,830,714	+96%	34,332,323	17,814,336	+93%
NGL (Bbls)	432,393	222,942	+94%	800,498	450,535	+78%
Oil, Gas and						
<F1>						
NGL (Boe) ¹	5,056,321	2,651,391	+91%	10,016,004	5,250,769	+91%
Revenues						
Oil	\$32,060,026	19,507,458	+64%	69,590,006	35,652,252	+95%

Gas	30,175,836	14,212,694	+112%	73,413,977	28,834,328	+155%
NGL	5,523,964	3,023,069	+83%	11,327,885	5,990,870	+89%
Combined	\$67,759,826	36,743,221	+84%	154,331,868	70,477,450	+119%
Average Prices						
Oil (Per Bbl)	\$18.44	20.39	-10%	19.92	19.47	+2%
Gas (Per Mcf)	\$1.74	1.61	+8%	2.14	1.62	+32%
NGL (Per Bbl)	\$12.78	13.56	-6%	14.15	13.30	+6%
Oil, Gas and NGL						
<F1>						
(Per Boe)1	\$13.40	13.86	-3%	15.41	13.42	+15%

	Three Months Ended			Six Months Ended		
	June 30,			June 30,		
	1997	1996	Change	1997	1996	Change
Domestic						
Production						
Oil (Bbls)	1,503,440	956,663	+57%	3,017,022	1,831,178	+65%
Gas (Mcf)	15,198,083	8,830,714	+72%	30,098,825	17,814,336	+69%
NGL (Bbls)	385,379	222,942	+73%	718,994	450,535	+60%
Oil, Gas and						
<F1>						
NGL (Boe)1	4,421,833	2,651,391	+67%	8,752,487	5,250,769	+67%
Revenues						
Oil	\$27,761,317	19,507,458	+42%	60,216,142	35,652,252	+69%
Gas	27,708,475	14,212,694	+95%	67,319,351	28,834,328	+133%
NGL	4,790,391	3,023,069	+58%	9,981,159	5,990,870	+67%
Combined	\$60,260,183	36,743,221	+64%	137,516,652	70,477,450	+95%
Average Prices						
Oil (Per Bbl)	\$18.47	20.39	-9%	19.96	19.47	+3%
Gas (Per Mcf)	\$1.82	1.61	+13%	2.24	1.62	+38%
NGL (Per Bbl)	\$12.43	13.56	-8%	13.88	13.30	+4%
Oil, Gas and NGL						
<F1>						
(Per Boe)1	\$13.63	13.86	-2%	15.71	13.42	+17%

	Three Months Ended			Six Months Ended		
	June 30,			June 30,		
	1997	1996	Change	1997	1996	Change
Canada						
Production						
Oil (Bbls)		234,747	-	NA	476,430	-
Gas (Mcf)		2,116,365	-	NA	4,233,498	-
NGL (Bbls)		47,014	-	NA	81,504	-
Oil, Gas and						
<F1>						
NGL (Boe)1		634,488	-	NA	1,263,517	-
Revenues						
Oil		\$4,298,709	-	NA	9,373,864	-
Gas		2,467,361	-	NA	6,094,626	-
NGL		733,573	-	NA	1,346,726	-
Combined		\$7,499,643	-	NA	16,815,216	-
Average Prices						
Oil (Per Bbl)		\$18.31	-	NA	19.68	-
Gas (Per Mcf)		\$1.17	-	NA	1.44	-
NGL (Per Bbl)		\$15.60	-	NA	16.52	-
Oil, Gas and NGL						
<F1>						
(Per Boe)1		\$11.82	-	NA	13.31	-

<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 \$12.6 million, or 64%, in the second quarter of 1997 compared to the same period of 1996. Production gains of 782,000 barrels, or 82%, added \$15.9 million of oil revenues in the 1997 period. This increase was partially offset by a \$3.3 million reduction in oil revenues caused by a \$1.95 per barrel decrease in the average oil price.

The KMG-NAOS Properties were responsible for the majority of the increased oil production. These properties produced 755,000 barrels of oil in the second quarter of 1997. Approximately 520,000 of these barrels were produced in the U.S. and another 235,000 barrels were produced in Canada. Devon's other domestic properties produced 983,000 barrels in the second quarter of 1997. This is an increase of 26,000 barrels, or 3%, over the 957,000 barrels produced in the second quarter of 1996.

Oil revenues increased by \$33.9 million, or 95%, in the first half of 1997 compared to the first half of 1996. Production gains of 1,662,000 barrels, or 91%, added \$32.4 million of oil revenues in the 1997 period. An increase in the average price of \$0.45 per barrel, or 2%, added the remaining \$1.5 million of increased oil revenues.

The KMG-NAOS Properties were the primary contributors to the increased oil production. These properties produced 1,502,000 barrels of oil in the first six months of 1997. Approximately 1,026,000 of these barrels were produced in the U.S., while 476,000 barrels were produced in Canada. Devon's other domestic properties produced 1,991,000 barrels in the first half of 1997. This is an increase of 160,000 barrels, or 9%, over the 1,831,000 barrels produced in the first half of 1996.

Gas Revenues. Gas revenues increased by \$16.0 million, or 112%, in the second quarter of 1997 compared to the second quarter of 1996. An increase in gas production of 8.5 Bcf, or 96%, added \$13.7 million to the 1997 quarter's gas sales. Also, an increase in the average gas price of \$0.13 per Mcf, or 8%, added the remaining \$2.3 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 7.1 Bcf in the second quarter of 1997. The KMG-NAOS Properties produced 5.0 Bcf in the U.S. and 2.1 Bcf in Canada. Devon's coal seam gas properties produced 4.5 Bcf in the second quarter of 1997 compared to 4.3 Bcf in the second quarter of 1996. Devon's other domestic properties produced 5.7 Bcf in the 1997 period compared to 4.5 Bcf in the second quarter of 1996. Of this 1.2 Bcf increase, 0.5 Bcf resulted from the second quarter receipt of out-of-period gas revenues from certain non-operated properties in southern Oklahoma. The operator of these properties had incorrectly disbursed prior periods' revenues from these wells. Production from Permian Basin wells completed in the second half of 1996 contributed 0.5 Bcf of the 1997 second quarter increase, and the Worland properties in Wyoming increased by 0.2 Bcf in the 1997 quarter.

The coal seam gas properties averaged \$1.74 per Mcf in the second quarter of 1997 compared to \$1.33 in the second quarter of 1996. Devon's domestic conventional gas properties averaged \$1.86 per Mcf in the 1997 quarter compared to \$1.88 per Mcf in the 1996 quarter. Devon's Canadian gas production averaged \$1.17 per Mcf in the 1997 quarter.

Gas revenues increased by \$44.6 million, or 155%, in the first half of 1997 compared to the same period of 1996. An increase in gas production of 16.5 Bcf, or 93%, added \$26.7 million of gas sales in the 1997 period. An increase in the average price of \$0.52 per Mcf, or 32%, added the remaining \$17.9 million of increased gas sales.

The KMG-NAOS Properties were responsible for the majority of the increased gas production. These properties produced 14.9 Bcf in the first half of 1997. Approximately 10.7 Bcf of this production was in the U.S., while the remaining 4.2 Bcf was produced in Canada. Devon's coal seam gas properties produced 8.6 Bcf in the first six months of 1997 compared to 9.0 Bcf produced in the first half of 1996. Devon's other domestic properties produced 10.9 Bcf in the first half of 1997 compared to 8.8 Bcf in the comparable 1996 period. Of this 2.1 Bcf increase, the out-of-period volumes discussed above added 0.5 Bcf, production from Permian Basin wells completed in the second half of 1996 contributed 1.1 Bcf and the Worland properties added 0.5 Bcf.

The coal seam gas properties averaged \$2.06 per Mcf in the first half of 1997 compared to \$1.36 per Mcf in the first half of 1996. Devon's domestic conventional gas properties averaged \$2.31 per Mcf in the 1997 period compared to \$1.88 per Mcf in the 1996 period. Devon's Canadian gas production averaged \$1.44 per Mcf in the first half of 1997.

NGL Revenues. NGL revenues increased by \$2.5 million, or 83%, in the second quarter of 1997 compared to the second quarter of 1996. An increase in production of 209,000 barrels, or 94%, added \$2.8 million to the 1997 quarter's revenues. This was partially offset by a \$0.3 million reduction in revenues caused by a \$0.78 per barrel decrease in the average price.

The KMG-NAOS Properties accounted for 150,000 barrels of the total 209,000 barrels increase in production. The KMG-NAOS Properties produced 103,000 barrels in the U.S. and 47,000 barrels in Canada.

NGL revenues increased by \$5.3 million, or 89%, in the first half of 1997 compared to the same period of 1996. An increase in production of 350,000 barrels, or 78%, added \$4.6 million to the 1997 period's revenues. An increase in the average price of \$0.85 per barrel added the remaining \$0.7 million of increased NGL revenues.

The KMG-NAOS Properties produced 244,000 barrels in the first half of 1997. These properties produced 162,000 barrels in the U.S. and 82,000 barrels in Canada.

Other Revenues. Other revenues increased by \$1.3 million, or 241%, in the second quarter of 1997. The addition of the KMG-NAOS Properties added \$1.0 million of revenues from processing third party natural gas. The investment of excess cash on hand in the 1997 quarter added \$0.4 million of interest income.

Other revenues increased by \$2.4 million, or 270%, in the first half of 1997. Processing of third party natural gas related to the KMG-NAOS Properties accounted for \$1.6 million of the increase. Another \$0.6 million of the increase in other revenues was attributable to interest income earned in the first six 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.

	Three Months Ended			Total		
	1997	June 30, 1996	Change	1997	June 30, 1996	Change
Expenses						
Recurring operations and maintenance expenses	\$13,713,587	6,833,763	+101%	28,574,806	13,380,005	+114%
Well workover expenses	814,697	921,311	-12%	1,766,115	1,793,248	-2%
Production taxes	3,745,547	2,345,996	+60%	9,055,391	4,487,913	+102%
Total production and operating expenses	\$18,273,831	10,101,070	+81%	39,396,312	19,661,166	+100%
Expenses Per Boe						
Recurring operations and maintenance expenses	\$2.71	2.58	+5%	2.85	2.55	+12%
Well workover expenses	0.16	0.35	-54%	0.18	0.34	-47%
Production taxes	0.74	0.88	-16%	0.90	0.85	+6%
Total production and operating expenses	\$3.61	3.81	-5%	3.93	3.74	+5%
Domestic						
	1997	June 30, 1996	Change	1997	June 30, 1996	Change
Expenses						
Recurring operations and maintenance expenses	\$12,453,033	6,833,763	+82%	25,664,160	13,380,005	+92%
Well workover expenses	642,130	921,311	-30%	1,560,690	1,793,248	-13%
Production taxes	3,743,006	2,345,996	+60%	8,918,077	4,487,913	+99%
Total production and operating expenses	\$16,838,169	10,101,070	+67%	36,142,927	19,661,166	+84%
Expenses Per Boe						
Recurring operations and maintenance expenses	\$2.82	2.58	+9%	2.93	2.55	+15%
Well workover expenses	0.14	0.35	-60%	0.18	0.34	-47%
Production taxes	0.85	0.88	-3%	1.02	0.85	+20%
Total production and operating expenses	\$3.81	3.81	--	4.13	3.74	+10%
Canada						
	1997	June 30, 1996	Change	1997	June 30, 1996	Change
Expenses						
Recurring operations and maintenance expenses	\$1,260,554	-	NA	2,910,646	-	NA
Well workover expenses	172,567	-	NA	205,425	-	NA
Production taxes	2,541	-	NA	137,314	-	NA
Total production and operating expenses	\$1,435,662	-	NA	3,253,385	-	NA
Expenses Per Boe						
Recurring operations and maintenance expenses	\$1.99	-	NA	2.30	-	NA
Well workover expenses	0.27	-	NA	0.16	-	NA
Production taxes	-	-	NA	0.11	-	NA
Total production and operating expenses	\$2.26	-	NA	2.57	-	NA

Recurring operations and maintenance expenses increased by \$6.9 million, or 101%, in the second quarter of 1997. The addition of the KMG-NAOS Properties accounted for \$4.8 million of the increased expenses. Expenses on wells drilled since June 30, 1996, comprised the majority of the remaining \$2.1 million increase.

Production taxes increased by \$1.4 million, or 60%, in the second quarter of 1997. This increase was attributable to the 84% increase in combined oil, gas and NGL revenues in the 1997 period.

Recurring expenses per Boe were up by \$0.13, or 5%, in the second 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 these coal seam gas properties are extremely low (\$0.35 per Boe in the second quarter of 1997 and \$0.27 per Boe in the second 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 27% in the 1996 quarter to only 15% 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 \$3.12 per Boe in the second quarter of 1997 from \$3.44 per Boe in the second quarter of 1996. Even though the coal seam costs per Boe rose only \$0.08 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 \$15.2 million, or 114%, in the first half of 1997. The KMG-NAOS Properties accounted for \$11.8 million of the increased expenses. Most of the remaining \$3.4 million of increased expenses was due to wells which were drilled subsequent to June 30, 1996.

Production taxes increased by \$4.6 million, or 102%, in the first six months of 1997. This increase was attributable to the 119% increase in combined oil, gas and NGL revenues in the 1997 period.

Recurring expenses per Boe were up by \$0.30, or 12%, in the first half 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 \$0.36 per Boe in the first half of 1997 compared to \$0.32 per Boe in the first half of 1996. Expenses of Devon's conventional properties were \$3.27 per Boe in the 1997 period compared to \$3.44 per Boe in the 1996 period. Even though the per unit expenses increased only \$0.04 per Boe for the coal seam properties and decreased by \$0.17 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 29% of combined production in the first half of 1996, but they were only 14% of the 1997 period's production.

Depreciation, Depletion and Amortization Expense ("DD&A"). Oil and gas property related DD&A increased \$9.9 million, or 98%, from \$10.0 million in the second quarter of 1996 to \$19.9 million in the second quarter of 1997. The increase in combined oil, gas and NGL production of 2.4 million Boe, or 91%, accounted for \$9.1 million of the increased DD&A. The remaining \$0.8 million of the increased expense was caused by an increase in the DD&A rate from \$3.78 per Boe in the 1996 quarter to \$3.94 per Boe in the 1997 quarter.

Oil and gas property related DD&A increased \$19.1 million, or 97%, from \$19.7 million in the first half of 1996 to \$38.8 million in the first half of 1997. The increase in combined oil, gas and NGL production of 4.8 million Boe, or 91%, accounted for \$17.9 million of the increased DD&A. The remaining \$1.2 million of the increased expense was caused by an increase in the DD&A rate from \$3.76 per Boe in the first half of 1996 to \$3.87 per Boe in the first half of 1997.

General and Administrative Expenses ("G&A"). G&A increased \$1.2 million, or 51%, in the second quarter of 1997. Employee salaries and related overhead costs, including insurance and pension expense, increased \$1.5 million in the 1997 quarter. This increase was primarily related to the approximately 70 permanent and 15 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 second quarter of 1997.

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 \$0.9 million in the second 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 second quarter of 1996 to \$0.9 million in the second quarter of 1997.

G&A increased \$1.7 million, or 38%, in the first half of 1997. Employee salaries and related overhead costs increased \$2.7 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 \$0.9 million in the first half of 1997. The higher salary, overhead and office costs were partially offset by a \$1.9 million increase in Devon's overhead reimbursements.

Capitalized G&A increased from \$1.3 million in the first half of 1996 to \$1.8 million in the first half of 1997.

Interest Expense. Interest expense decreased \$2.4 million, or 99%, in the second quarter of 1997 due to a substantial reduction in the average debt outstanding. The average debt balance outstanding dropped from \$152.4 million in the second quarter of 1996 to zero in the second 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 \$4.8 million, or 97%, in the first half of 1997. This reduction was caused by a drop in the average debt balance

outstanding from \$151.1 million in the first half of 1996 to only \$1.5 million in the first half 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 second quarter of 1997 and \$4.9 million in the first half of 1997. There were no distributions in either of the comparable 1996 periods, as the TCP Securities were not issued until the third quarter of 1996.

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 second quarter and first half of 1997 was 40%, compared to 43% estimated in the second quarter and first half 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 June 30, 1997, were approximately \$11 million of various tax carryforwards. Of this amount, \$5 million were for net operating loss carryforwards which expire between 1998 and 2008. The remaining \$6 million of carryforward benefits related 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 I, Item 1 elsewhere herein.

Capital Expenditures. Cash used for capital expenditures increased 22% from \$42.6 million in the first half of 1996 to \$51.9 million in the first half of 1997. Approximately \$50.0 million was spent in 1997 on acquisition, exploration and development costs, compared to \$42.2 million in the 1996 period. The 1996 total included \$7.1 million to acquire additional interests in the Worland properties in Wyoming.

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 half of 1997. Operating cash flow in the first six months of 1997 was \$93.8 million compared to \$35.1 million in the first six months of 1996.

Because of the amount of operating cash flow generated in the first half 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 the first half of 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 data 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. Where necessary, that information has been 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 half of 1997 will be substantially similar to those of 1996, 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.

Oil Production and Relative Prices. Oil production for the first six months of 1997 has slightly exceeded the upper range of Devon's original estimate for the first half of the year. The original estimate for the full year 1997 was between 5.9 million and 6.9 million barrels. Based on the first half-year's production, Devon has revised its estimate upward to between 6.5 million and 7.1 million barrels.

The original estimate for Devon's 1997 average oil price was between \$0.05 below West Texas Intermediate posted prices ("WTI") to \$0.20 above WTI. For the first six months of the year, Devon's average oil price was \$0.37 above WTI. Certain contracts which contributed toward the higher price in the first six months have expired and been replaced with lower-priced contracts. Therefore, Devon does not expect its average oil price for the last six months to exceed WTI by the same amount as in the first half of the year. However, because of the higher price realized in the first six months, Devon has revised upward its estimate for the full year to between \$0.15 above WTI and \$0.30 above WTI.

Gas Production and NGL Production. Devon originally estimated that its 1997 gas production would be between 64.0 Bcf and 75.0 Bcf, and that its NGL production would be between 1.1 million and 1.3 million barrels. Certain of the gas wells on the KMG-NAOS Properties have produced higher quantities of liquids than originally estimated. The gas containing these liquids is processed, with the liquids stripped and sold as NGL volumes. This has caused the residual volumes of natural gas sold from these wells to be less than originally estimated, but the NGL volumes have been greater than anticipated. As a result, Devon is reducing its 1997 estimate of gas production to between 65 Bcf and 71 Bcf, and is increasing its 1997 estimate of NGL production to between 1.4 million and 1.6 million barrels.

Income Taxes. Devon originally estimated that the current portion of its 1997 income tax expense would be between \$9 million and \$13 million. An upward revision to expected pre-tax earnings for the year has caused the current income tax expense estimate to also be revised to between \$11 million and \$15 million. The original estimate of Devon's total income tax rate of between 38% and 42% has not been revised.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements

Part II. Other Information

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

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

(a) The Company's annual meeting of shareholders was held in Oklahoma City, Oklahoma at 11:00 a.m. local time, on Wednesday, May 21, 1997.

(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 32,141,295 shares of the Company's common stock outstanding and entitled to vote, 29,524,001 shares were present at the meeting in person or by proxy, representing approximately 92 percent of the total outstanding. Matters voted upon at the meeting were as follows:

(i) Election of three directors to serve on the Company's board of directors until the 2000 annual meeting of shareholders. The vote tabulation with respect to each nominee was as follows:

Nominee	For	Authority Withheld
Thomas F. Ferguson	29,403,976	120,025
J. Larry Nichols	29,414,728	109,273
Lawrence H. Towell	29,403,152	120,849

(ii) The adoption of the Devon Energy Corporation 1997 Stock Option Plan was approved by a vote of 26,757,156 shares for, 1,443,963 shares against, 94,033 shares abstaining and 1,228,849 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 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.*

10.12 Employment Agreement between Registrant and Duke R. Ligon dated February 7, 1997.*

10.13 Supplemental 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 (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 June 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: July 21, 1997

/s/William T. Vaughn

*William T. Vaughn
Vice President - Finance*

INDEX TO EXHIBITS

Page

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3.1 Registrant's Certificate of Incorporation, as # amended

3.2 Registrant's Certificate of Amendment of #

	Certificate of Incorporation	
3.3	Registrant's Bylaws	#
4.1	Form of Common Stock Certificate	#
4.2	Rights Agreement between Registrant and The First National Bank of Boston	#
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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

10.3	Devon Energy Corporation 1988 Stock Option Plan	#
10.4	Devon Energy Corporation 1993 Stock Option Plan	#
10.5	Devon Energy Corporation 1997 Stock Option Plan	#
10.6	Severance Agreement among Devon Energy Corporation (Nevada), Registrant and Mr. J. Larry Nichols, dated December 3, 1992	#

10.7 Severance Agreement among Devon Energy # Corporation (Nevada), Registrant and Mr. J.

Michael Lacey, dated December 3, 1992

10.8 Severance Agreement among Devon Energy # Corporation (Nevada), Registrant and Mr. H. Allen Turner, dated December 3, 1992

10.9 Severance Agreement among Devon Energy # Corporation (Nevada), Registrant and Mr. Darryl G. Smette, dated December 3, 1992

10.10 Severance Agreement among Devon Energy # Corporation (Nevada), Registrant and Mr.

William T. Vaughn, dated December 3, 1992

10.11	Severance Agreement among Devon Energy Corporation (Nevada), Registrant and Duke R. Ligon dated March 26, 1997	31
10.12	Employment Agreement between Registrant and Duke R. Ligon dated February 7, 1997	44
10.13	Supplement Retirement Income Agreement among Devon Energy Corporation (Nevada), Registrant and John W. Nichols dated March 26, 1997	50
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	58

Incorporated by reference.

DEVON ENERGY CORPORATION
Computation of Earnings Per Share

Exhibit 11

	Three Months Ended June 30,		Six Months Ended June 30,	
	1997	1996	1997	1996
PRIMARY EARNINGS PER SHARE				
Computation for Statement of Operations				
Net earnings per statement of operations	\$14,829,990	6,775,388	40,055,536	12,329,314
Weighted average common shares outstanding	32,165,904	22,121,786	32,153,667	22,117,138
Primary earnings per share	\$0.46	0.31	1.25	0.56
<F1>				
Additional Primary Computation (A)				
Net earnings per statement of operations	\$14,829,990	6,775,388	40,055,536	12,329,314
Adjustment to weighted average common shares outstanding:				
Weighted average as shown above in primary computation	32,165,904	22,121,786	32,153,667	22,117,138
Add dilutive effect of outstanding stock options (as determined using the treasury stock method)	359,857	165,700	359,659	149,357
Weighted average common shares outstanding, as adjusted	32,525,761	22,287,486	32,513,326	22,266,495
Net earnings per common share, as adjusted	\$0.46	0.30	1.23	0.55
<F1>				
FULLY DILUTED EARNINGS PER SHARE (A)				
Net earnings per statement of operations	\$14,829,990	6,775,388	40,055,536	12,329,314
Increase in net earnings from assumed conversion of Trust Convertible Preferred Securities (net of tax effect)	1,506,489	-	3,012,977	-
Net earnings, as adjusted	\$16,336,479	6,775,388	43,068,513	12,329,314
Weighted average common shares outstanding as shown in primary computation above	32,165,904	22,121,786	32,153,667	22,117,138
Add fully dilutive effect of outstanding stock options (as determined using the treasury stock method)	402,184	170,301	405,837	173,376
Add weighted average of additional shares issued from assumed conversion of Trust Convertible Preferred Securities	4,901,507	-	4,901,507	-
Weighted average common shares outstanding, as adjusted	37,469,595	22,292,087	37,461,011	22,290,514
Fully diluted earnings per common share	\$0.44	0.30	1.15	0.55

<F1>
(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	6 MOS
FISCAL YEAR END	DEC 31 1997
PERIOD END	JUN 30 1997
CASH	42844904
SECURITIES	0
RECEIVABLES	39272324
ALLOWANCES	0
INVENTORY	2079219
CURRENT ASSETS	87712901
PP&E	1023727223
DEPRECIATION	321535816
TOTAL ASSETS	801065101
CURRENT LIABILITIES	29509178
BONDS	0
PREFERRED MANDATORY	3217860
PREFERRED	0
COMMON	0
OTHER SE	506418720
TOTAL LIABILITY AND EQUITY	801056101
SALES	801065101
TOTAL REVENUES	157551428
CGS	0
TOTAL COSTS	0
OTHER EXPENSES	39396312
LOSS PROVISION	0
INTEREST EXPENSE	159038
INCOME PRETAX	66758536
INCOME TAX	26703000
INCOME CONTINUING	40055536
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	40055536
EPS PRIMARY	1.25
EPS DILUTED	1.15

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DEVON ENERGY CORPORATION

SEVERANCE AGREEMENT

(Execution Date: March 26, 1997)

SEVERANCE AGREEMENT

SEVERANCE AGREEMENT (the "Agreement") entered into among DEVON ENERGY CORPORATION (NEVADA), a Nevada corporation ("Devon") and DEVON ENERGY CORPORATION, an Oklahoma corporation ("Devon Energy" and "Company"), and DUKE R. LIGON, an individual (the "Executive"), dated this 26th day of March, 1997 (the "Effective Date").

WHEREAS, Devon and Devon Energy are herein collectively referred to as the "Company" and references herein to the Company shall be applicable to both Devon and Devon Energy unless stated to the contrary; and

WHEREAS, the Company deems the services of the Executive to be of great and unique value to the business of the Company and the Company desires to assure both itself of continuity of management and the Executive of continued employment; and

WHEREAS, the Executive is a key management employee of the Company and is presently making and is expected to continue making substantial contributions to the Company; and

WHEREAS, it is in the best interests of the Company and its shareholders to induce the Executive to remain in the employ of the Company; and

WHEREAS, the Executive presently is serving in his capacity as General Counsel and Vice President of the Company; and

WHEREAS, the Company desires to induce the Executive to remain in the employ of the Company by providing to him additional amounts of compensation in the event of his termination of employment following a Change of Control Date or an Acquisition Date (each as defined herein) for the reasons specified herein.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Executive and the Company hereby agree as provided below.

1. Operation of Agreement. The purpose of this Agreement is to provide to the Executive additional amounts of compensation in the event of the termination of his employment following a Change of Control Date or an Acquisition Date for the reasons specified herein. Accordingly, the Company and the Executive have entered into this Agreement in accordance with the terms and provisions herein to provide such protection to the Executive. For the purposes of this Agreement, where the following capitalized words and phrases appear in this Agreement, they shall have the meanings set forth below unless a different context is clearly expressed herein.

(a) Acquisition Date. "Acquisition Date" shall mean the date on which the Company completes the acquisition of oil and gas properties, or assets, or a business entity owning such properties or assets under an acquisition contract ("Acquisition Contract") which results in a 20% or more increase in the total oil and gas reserves or total assets of the Company.

(i) For purposes of determining if the 20% increase in total oil and gas reserves has occurred, the acquisition must result in a 20% or more increase in the total oil and gas reserves of the Company when compared to the Company's pre-acquisition reserves. The Company's pre-acquisition reserves will be the estimated reserve volumes expressed in barrels of oil equivalent ("BOE's") contained in the most recent annual report, adjusted to the Acquisition Date for subsequent production, drilling, purchases and sales of reserves (other than the subject acquisition). In each instance, 6 Mcf of natural gas will be equal to one barrel of oil.

(ii) For purposes of determining if the 20% or more increase in the total assets of the Company has occurred, the gross purchase or acquisition price paid (including any debt or other liabilities assumed) for the assets or the business entity owning the assets (as determined pursuant to the final Acquisition Contract) must equal 20% or more of the sum of (1) Total Liabilities and Stockholder's Equity minus (2) the Total Shareholder's Equity and Devon Financing Trust Convertible Preferred Securities plus (3) the market value of the Company's outstanding common, preferred stock and Devon Financing Trust Convertible Preferred Securities (the "Market Capitalization"). For the purpose of this determination, the foregoing items included in (1) and (2) above shall be based upon the Company's consolidated financial statement as of the last day of the month immediately preceding the month in which such purchase or acquisition occurs; and, for the purpose of determining the Market Capitalization, the Company's outstanding common and preferred stock and Devon Financing Trust Convertible Preferred Securities shall be valued at the weighted average closing price of such stock for the ten trading days preceding the public announcement of the execution of the definitive Acquisition Contract.

(b) Change of Control Date. "Change of Control Date" shall mean the date on which one of the following events occurs:

(i) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or

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14(d)(2) of the Exchange Act) (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 30% or more of either (1) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (2) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (1) any acquisition directly from the Company, (2) any acquisition by the Company; (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (4) any acquisition by any corporation pursuant to a transaction which complies with clauses (1), (2), and (3) of subsection (iii) below; or

(ii) Individuals who, as of the date hereof, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to the date hereof whose election, appointment or nomination for election by the Company's shareholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for purposes of this definition, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Approval by the shareholders of the Company of a reorganization, share exchange, merger or consolidation (a "Business Combination"), in each case, unless, following such Business Combination, (1) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation which as a result of such transaction owns the Company through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (2) no Person (excluding any employee benefit plan (or related trust) of the Compa-

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ny or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such ownership existed prior to the Business Combination, and (3) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Incumbent Board providing for such Business Combination, or were elected, appointed or nominated by the Incumbent Board; or

(iv) Approval by the shareholders of the Company of (1) a complete liquidation or dissolution of the Company or, (2) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation with respect to which following such sale or other disposition, (A) more than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) less than 30% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of the Company or such corporation), except to the extent that such Person owned 30% or more of the Outstanding Company Common Stock or Outstanding Company Voting Securities prior to the sale or disposition, and (C) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Incumbent Board providing for such sale or other disposition of assets of the Company, or were elected, appointed or nominated by the Incumbent Board.

(c) Good Reason. "Good Reason" shall mean:

(i) (1) the assignment to the Executive of any duties inconsistent in any respect with the Executive's

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position (including status, offices, titles and reporting requirements), authority, duties or responsibilities or (2) any other action by the

Company which results in a diminishment in such position, authority, duties or responsibilities, other than an insubstantial and inadvertent action which is remedied by the Company promptly after receipt of written notice thereof given by the Executive; or

(ii) the Company's requiring the Executive to be based at any office or location other than the Company's principal headquarters, except for travel reasonably required in the performance of the Executive's responsibilities; or

(iii) any failure by the Company to comply with and satisfy Section 10(a) of this Agreement.

2. Agreement Not Employment Contract. This Agreement shall be considered solely as a "severance agreement" obligating the Company to pay to the Executive certain amounts of compensation in the event and only in the event of his termination of employment after the Change of Control Date or the Acquisition Date for the reasons and at the times specified herein. Apart from the obligation of the Company to provide the amounts of additional compensation as provided in this Agreement, the terms and conditions of the Company's employment of the Executive shall be governed by the Employment Agreement dated as of February 7, 1997, by and between Devon Energy and the Executive (the "Employment Agreement").

3. Termination of Agreement. Except as provided in Section 5 hereof, this Agreement shall terminate upon the first to occur of the following events.

(a) Death. The date of death of the Executive.

(b) Cause. The termination of the Executive's employment by the Company for "Cause." For purposes of this Agreement, termination of the Executive's employment by the Company for Cause shall mean termination for one of the following reasons: (i) the conviction of the Executive of a felony by a federal or state court of competent jurisdiction;

(ii) an act or acts of dishonesty taken by the Executive and intended to result in substantial personal enrichment of the Executive at the expense of the Company or its shareholders; or (iii) the Executive's "willful" failure to follow a direct lawful written order from his supervisor, within the reasonable scope of the Executive's duties, which failure is not cured within 30 days. Further, for purposes of this Section (b):

(1) No act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or

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omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's action or omission was in the best interest of the Company.

(2) The Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Executive a copy of the resolution duly adopted by the affirmative vote of not less than three-fourths (3/4ths) of the entire membership of the Board of Directors of Devon Energy, at a meeting of the Board of Directors called and held for such purpose (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board of Directors), finding that in the good faith opinion of the Board of Directors the Executive was guilty of conduct set forth in clauses (i), (ii), or (iii) above and specifying the particulars thereof in detail.

(c) Notice. Two years after the Company has provided the Executive with written notice of the Company's desire to terminate the Agreement.

4. Notice of Termination of Employment. Any termination of employment by the Company for Cause or by the Executive for Good Reason shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 12 of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the date of termination of the Executive's employment is other than the date of receipt of such notice, specifies such termination date (which date shall be not more than 15 days after the giving of such notice).

5. Obligations of the Company Upon Termination Following Change of Control Date or the Acquisition Date. If within 24 months of the Change of Control Date or 12 months following the Acquisition Date (i) the Company shall terminate the Executive's employment for any reason other than for Cause or death, or (ii) the employment of the Executive shall be terminated by the Executive for Good Reason, then the Company shall pay to the Executive in a lump sum, in cash, within 30 days after the date of termination of employment an amount equal to the lesser of (1) two times the Executive's highest annual Actual Compensation during the three calendar years preceding the year in which the Executive's employment terminated or (2) 2.99 times the Executive's "base amount" (as such term is defined by Section 280G of the Internal Revenue Code of 1986, as amended (the "Code")) on the Change of Control Date or the Acquisition Date, as applicable. Provided, the

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amount calculated under the foregoing Subsections (1) or (2) shall be reduced and offset (but not below zero) by any amounts paid to the Executive under the Employment Agreement from and after the date of the Executive's termination of employment. If the Executive has

attained his normal retirement date of age 65 ("Normal Retirement Date") and is not otherwise entitled to receive payment under this Agreement due to his termination of employment as of his Normal Retirement Date, then, the Executive shall not be entitled to payment under this Agreement. For purposes of this Section 5, "Actual Compensation" shall mean the Executive's wages, salaries, bonuses and fees for personal services actually rendered in the course of employment with the Company, excluding the following: (i) amounts realized from the exercise of a nonqualified stock option, or when restricted stock (or property) held by the Executive either becomes freely transferable or is no longer subject to a substantial risk of forfeiture; (ii) amounts realized from the sale, exchange or other disposition of stock acquired under a qualified stock option; and (iii) other amounts which received special tax benefits (whether or not the amounts are actually excludable from the gross income of the Executive).

6. Certain Reduction of Payments by the Company.

(a) **Cutback of Payments.** Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by the Company to or for the benefit of the Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise) (the "Payment") would be nondeductible by the Company for Federal income tax purposes because of Section 280G of the Code, then the aggregate present value of the Payments (the "Agreement Payments") shall be reduced (but not below zero) to the Reduced Amount. The "Reduced Amount" shall be an amount expressed in present value which maximizes the aggregate present value of Agreement Payments without causing any Payment to be nondeductible by the Company because of Section 280G of the Code. For purposes of this Section 6, present value shall be determined in accordance with Section 280G(d)(4) of the Code.

(b) **Auditors to Perform Calculations.** All determinations required to be made under this Section 6 shall be made by KPMG/Peat Marwick (the "Accounting Firm") or its successor which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the Change of Control Date, Acquisition Date or such other time as is requested by the Company. Any such determination by the Accounting Firm shall be binding upon the Company and the Executive. The Company shall determine which and how much of the Agreement Payments (or, at the election of the Executive, other payments) shall be eliminated or reduced consis-

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tent with the requirements of this Section 6 and, within ten

(10) business days of the receipt of the calculations from the Accounting Firm, shall notify the Executive promptly of such determination. Within five (5) business days thereafter, the Company shall pay to or distribute to or for the benefit of the Executive such amounts as are then due to the Executive under this Agreement.

(c) **Recoupment of Overpayments.** As a result of the uncertainty in the application of Section 280G of the Code at the time of the initial determination by the Accounting Firm pursuant to Section 6(b) of this Agreement, it is possible that Agreement Payments will have been made by the Company which should not have been made ("Overpayment") or that additional Agreement Payments which have not been made by the Company could have been made ("Underpayment"), in each case, consistent with the calculations required to be made hereunder. In the event that the Accounting Firm determines that an Overpayment has been made, any such Overpayment shall be treated for all purposes as a loan to the Executive which the Executive shall repay to the Company together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code within 5 years of the effective date of the loan; provided, however, that no amount shall be payable by the Executive to the Company (or if paid by the Executive to the Company shall be returned to the Executive) if and to the extent such payment would not reduce the amount which is subject to taxation under Section 4999 of the Code. In the event that the Accounting Firm determines that an Underpayment has occurred, any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive together with interest at the applicable Federal rate provided for in Section 7872(f)(2) of the Code. In the event of either an Overpayment or Underpayment, the Executive will be provided copies of all calculations prior to the time any adjustment is to occur as provided under this Section 6.

7. Non-exclusivity of Rights.

Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation in any benefit, bonus, incentive or other plan or program provided by the Company or any of its affiliated companies and for which the Executive may qualify, nor shall anything herein limit or otherwise affect such rights as the Executive may have under any stock option or other agreements with the Company or any of its affiliated companies. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company or any of its affiliated companies at or subsequent to the date of termination of employment shall be payable in accordance with such plan or program.

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8. Full Settlement.

The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any circumstances, including, without limitation, any set-off, counterclaim, recoupment, defense or other right which the Company may have against the Executive or others. In no event shall the Executive be obligated to seek other employment by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement.

9. Confidential Information.

(a) **Requirement of Executive.** The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be

public knowledge (other than by acts by the Executive or his representatives in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designated by it. In no event shall an asserted violation of the provisions of this Section 9 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

(b) Additional Remedies. The Executive agrees that the remedy at law for any breach or threatened breach of any covenant contained in this Section 9 will be inadequate, and that the Company, in addition to such other remedies as may be available to it, in law or in equity, shall be entitled to injunctive relief without bond or other security.

10. Successors and Binding Effect.

(a) Successor Must Assume Agreement. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. If the Company fails to obtain such assumption and agreement prior to the effectiveness of any such succession, this Agreement shall nevertheless determine the Executive's entitlement to payment hereunder. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid

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which assumes and agrees to perform this Agreement by operation of law or otherwise.

(b) Binding Effect. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable to the Executive at the time of his death, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the Executive's devisee, legatee or other designee or, if there is no such designee, to the Executive's estate.

11. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Oklahoma, without reference to principles of conflict of laws.

12. Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party, by registered or certified mail, return receipt requested, or by overnight express delivery service, postage prepaid, addressed as follows:

If to the Executive:

Duke R. Ligon
1717 Kingsbury
Oklahoma City, Oklahoma 73116

If to the Company:

Devon Energy Corporation (Nevada)
20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

Attn: J. Larry Nichols
President and Chief Executive Officer

with a copy to:

McAfee & Taft
A Professional Corporation
Tenth Floor
Two Leadership Square
Oklahoma City, Oklahoma 73102

Attn: James Dudley Hyde, Esq.

Jerry A. Warren, Esq.

or to such other address as either party shall have furnished to the other in writing in accordance herewith. Notice and

communications shall be effective when actually received by the addressee.

13. Alienation. The rights and benefits of, and payments to, the Executive (or his beneficiary in the event of his death) under this Agreement may not be anticipated, assigned (either at law or in equity), alienated or subject to attachment, garnishment, levy, execution or other legal or equitable process except as required by law. Any attempt by the Executive to anticipate, alienate, assign, sell, transfer, pledge, encumber or charge the same shall be void. The benefits of the Executive shall not in any manner be subject to the debts, contracts, liabilities, engagements or torts of the Executive (or his beneficiary in the event of his death) and payments hereunder shall not be considered an asset of the Executive (or his beneficiary in the event of his death) in the event of his insolvency or bankruptcy.

14. Right as General Creditor. The Executive acknowledges this Agreement represents the Company's unfunded and unsecured obligation to pay benefits set forth above. No provision of this Agreement shall be construed to give the Executive any right except as a general creditor of the Company.

15. Taxes to be Withheld. The Company may withhold from any amounts payable under this Agreement such Federal, state or local taxes as shall be required to be withheld pursuant to any applicable law or regulation.

16. Joint Obligations. For purposes of this Agreement, Devon Energy and Devon shall have joint and several liability for all obligations hereunder.

17. Entire Agreement. This Agreement and the Employment Agreement constitute the entire agreement among the parties with respect to the subject matter hereof and supersede any and all prior or contemporaneous oral and prior written agreements and understandings, including any Severance Agreements previously entered into between the Company and the Executive. There are no oral promises, conditions, representations, understandings, interpretations or terms of any kind as conditions or inducements to the execution hereof or in effect among the parties.

18. Amendment. This Agreement may not be amended, and no provision hereof shall be waived, except by a writing signed by all the parties to this Agreement, or, in the case of a waiver, by the party waiving compliance therewith, which states that it is intended to amend or waive a provision of this Agreement. Any waiver of any rights or failure to act in a specific instance shall relate only to such instance and

shall not be construed as an agreement to waive any rights or failure to act in any other instance, whether or not similar.

19. Enforceability. Should any provision of this Agreement be unenforceable or prohibited by an applicable law, this Agreement shall be considered divisible as to such provision which shall be inoperative, and the remainder of this Agreement shall be valid and binding as though such provision were not included herein.

20. Counterparts. This Agreement may be executed in two or more counterparts with the same effect as if the signatures to all such counterparts were upon the same instrument, and all such counterparts shall constitute but one instrument.

21. Headings. All headings in this Agreement are for convenience only and are not intended to affect the meaning of any provision hereof.

IN WITNESS WHEREOF, the Executive has hereunto set his hand and, pursuant to the authorization from their respective Boards of Directors, the Company and the Parent have each caused these presents to be executed in its name on its behalf, all as of the day and year first above written.

Duke R. Ligon

"EXECUTIVE"

**DEVON ENERGY CORPORATION, an
Oklahoma corporation**

By

J. Larry Nichols, President and Chief Executive Officer

"DEVON ENERGY"

**DEVON ENERGY CORPORATION (NE-
VADA), a Nevada corporation**

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By:

J. Larry Nichols, President
and Chief Executive Officer

("DEVON")

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EMPLOYMENT AGREEMENT

AGREEMENT (this "Agreement") dated as of February 7, 1997, by and between DEVON ENERGY CORPORATION, an Oklahoma corporation (the "Company"), and DUKE R. LIGON (the "Executive").

WITNESSETH:

WHEREAS, the Company wishes to secure the services of the Executive pursuant to the terms and conditions hereof and in order to induce the Executive to enter into this Agreement and to secure the benefits that accrue from his performance hereunder, the Company is willing to undertake the obligations set forth herein; and

WHEREAS, the Executive is desirous of securing such employment and is willing to accept the terms and conditions of this Agreement set forth herein.

NOW THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree as follows:

1. Position and Duties. The Executive shall serve as General Counsel and Vice President of the Company, or such higher office to which he may be elected. The Executive's responsibilities, duties and authorities during the Term of Employment (as hereinafter defined) shall be those commonly associated with such position, together with such other duties consistent therewith and herewith as may be assigned to the Executive by the President and Chief Executive Officer of the Company (the "President"). The Executive shall report, during the Term of Employment, to the President. The Executive's services hereunder shall be performed at the Company's principal headquarters located in Oklahoma City, Oklahoma, except for travel reasonably required to perform such services. During the Term of Employment, the Executive shall devote substantially all of his business time and efforts during the Company's normal business hours to the performance of his duties and responsibilities on behalf of the Company in accordance with this Agreement, except for vacations, holidays and sickness.

2. Term. (a) Term of Employment. The Executive's term of employment under this Agreement shall commence on February 17, 1997, and shall continue through February 17, 1999 (the "Initial Term of Employment"). The Executive's term of employment hereunder shall automatically renew for one two

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(2)-year term (the "Renewal Term") immediately following the Initial Term of Employment, beginning on February 17, 1999. The Initial Term of Employment together with the Renewal Term are referred to in this Agreement as the "Term of Employment."

(b) Termination of Employment. The Term of Employment shall be terminated: (i) upon the Executive's death, in which case Section 4.2 hereof shall apply; (ii) upon the Company's discharge of the Executive for "Cause" (as hereinafter defined) by giving the Executive a "Notice of Termination" (as hereinafter defined), or at the option of the Executive for other than "Good Reason" (as hereinafter defined), in accordance with Section 5 hereof; (iii) at the option of the Company in the event of the Executive's disability, by giving the Executive a Notice of Termination, and otherwise in accordance with Section 4.3 hereof; or (iv) at the option of the Company, for reasons other than Cause or such death or disability, or of the Executive for Good Reason, by giving the other party a Notice of Termination, in which case Section 4.1 hereof shall apply. Any termination of the Term of Employment by the Company (other than by reason of the Executive's death) or by the Executive for Good Reason shall be communicated to the other party by a written Notice of Termination, as defined in the Severance Agreement entered into between the Executive and the Company, dated February __, 1997 (the "Severance Agreement"), and attached hereto as Exhibit 1.

3. Compensation and Benefits

3.1 Base Salary. The Company shall pay the Executive a base salary during the Term of Employment at the annual rate of two hundred thousand dollars (\$200,000) ("Base Salary"), in accordance with the usual payroll practices of the Company. The President may increase the Base Salary (and Base Salary hereunder shall include all such increased amounts), but in no event shall the Base Salary in effect at a particular time be reduced without the prior written consent of the Executive.

3.2 Incentive Compensation. For each calendar year of the Term of Employment, the Executive shall be entitled to receive an annual or periodic performance-based cash bonus on terms and conditions applicable to cash bonuses provided by the Company to its other senior executive officers (which shall include other Vice Presidents of the Company, but not the President) (herein, the "Bonus"). The Executive shall be entitled to participate in any other compensation plans or arrangements (including, without limitation, any stock option or other stock-related plans) offered to other senior executive officers of the Company from time to time, on terms applicable to such officers.

3.3 Stock Options. The Executive shall be eligible to participate in the Company's 1993 Stock Option Plan (and any successor or similar plan thereto; hereinafter, the "Option Plan"), and the Company shall, as soon as practicable

following the date hereof, grant the Executive a non-qualified option to purchase at least 30,000 shares of the Company's \$.10 par value common stock (the "Common Stock") for no more than the fair market value, as determined in accordance with the Stock Plan, of such shares on the date the option is granted. Such stock option granted hereunder shall vest and become exercisable as to one-third of the total number of shares of Common Stock subject thereto on the first anniversary of the date of grant of such option, and shall vest and become exercisable as to one-third of such total number of shares on each of the second and third anniversaries of such grant date, respectively. Each stock option granted to the Executive under the Option Plan in 1997 and thereafter shall, in any event, have terms (including, without limitation, relating to vesting and exercisability) no less favorable than such terms applicable to stock options granted under the Option Plan to the Company's other senior executive officers in any particular year.

3.4 Other Benefits. (a) Employee Benefit Plans. The Executive shall be entitled to participate, during the Term of Employment, in all employee pension, retirement, savings, deferred compensation, welfare, insurance and other benefit and fringe benefit plans, programs and arrangements provided by the Company to its employees and senior executive officers, from time to time, according to the terms and provisions of such plans, programs and arrangements, but in no event on terms and conditions less favorable than those generally applicable to the Company's other senior executive officers (herein, the "Employee Plans"). The Executive shall receive those perquisites and other personal benefits made available to the Company's other senior executive officers generally from time to time.

(b) Supplemental Retirement Plan. The Executive shall be entitled to participate, during the Term of Employment, in the Company's nonqualified deferred compensation plan, provided to selected key management and highly compensated employees of the Company, on terms and conditions of participation at least as favorable as those accorded the Company's other senior executive officers (herein, the "Supplemental Plan").

(c) Vacations and Holidays. The Executive shall be entitled to that number of days of annual paid vacation each year as the Company makes available generally to its senior executive officers, as well as such paid holiday and leave time and sick leave benefits as the Company shall provide generally to its senior executive officers.

(d) Expenses and Services. The Company shall pay or reimburse the Executive for all business, travel, entertainment and other expenses he incurs in the performance of his duties and responsibilities hereunder, upon the Executive furnishing appropriate documentation therefor.

(e) Temporary Housing and Relocation Expenses. The Company shall pay or reimburse the Executive for (i) reasonable lodging and incidental expenses incurred by him and his family until the Executive has sold his principal residence, or six (6) months after the date hereof, if earlier, and (ii) the expenses he incurs in moving and relocating himself and his family, household and personal effects to the Oklahoma City, Oklahoma, area.

(f) Indemnification. The Company shall indemnify the Executive consistent with the Company's prior practice.

4. Termination of Employment For Reasons Other Than Cause, or For Good Reason

4.1 Termination Not For Cause, or For Good Reason. (a) In general. If (i) the Company terminates the Executive's employment hereunder, and such termination of employment is not (A) for Cause, (B) by reason of the Executive's death or disability (pursuant to Section 4.2 or 4.3 hereof) or (C) within twenty-four (24) months of the Change of Control Date or twelve (12) months following the Acquisition Date (each as defined in the Severance Agreement); or (ii) the Executive terminates his employment for Good Reason, and such termination of employment by the Executive is not within either of the time periods specified in Section 4.1(a)(i)(C) above, the Company will pay to the Executive, no later than ten (10) days following the date on which the Notice of Termination is given, a cash lump-sum payment equal to the total of: (1) any earned but unpaid Base Salary as of the date the Notice of Termination is given and (2) his Base Salary (at the rate in effect immediately prior to the date on which the Notice of Termination is given) otherwise payable hereunder for the remaining Initial Term of Employment or Renewal Term, if the Notice of Termination is given during the Initial Term of Employment or the Renewal Term, respectively. The Executive shall also be entitled to receive the amount of his Bonus for the year within which the Notice of Termination is given, payable in accordance with terms at least as favorable as those which would apply to the Executive had he remained continuously employed by the Company through the end of any applicable performance period, but nevertheless calculated as a pro-rata portion thereof through the date the Notice of Termination is given. Any termination of the Executive's employment with the Company occurring within the time period specified in Section 4.1(a)(i)(C) above shall be subject to and in accordance with the terms and conditions of the Severance Agreement.

(b) Good Reason. For purposes of this Agreement, "Good Reason" shall have the meaning given such term in the Severance Agreement; however, Section 1(c)(iii) of the Severance Agreement shall, for this purpose, be read as referring to Section 7(a) hereof, and, in addition, "Good Reason" for purposes hereof shall also include the occurrence

of any of the following: (1) any reduction by the Company of the Executive's Base Salary; (2) any purported termination of the Executive's employment hereunder by the Company (other than by reason of his death) that is not effected by a Notice of Termination in accordance with

this Agreement; (3) the Executive is not granted the stock options in accordance with Section 3.3 hereof; or (4) any material breach by the Company of any provision of this Agreement, including the Severance Agreement.

4.2 Death. The Term of Employment shall end upon the Executive's death. The Company shall purchase insurance on the life of the Executive with death benefits of \$350,000, naming such beneficiary as the Executive may designate.

4.3 Disability. The Company may terminate the Executive's employment hereunder by reason his disability in accordance with this Section 4.3. For purposes of this Agreement, the Executive's employment hereunder shall have been terminated by reason of his disability if (a) as a result of the Executive's incapacity due to physical or mental illness, in the reasonable good faith judgment of the Board of Directors of the Company (the "Board"), the Executive shall have been unable to substantially perform his duties under this Agreement for a period of not less than ninety (90) days and (b) the Company shall give the Executive a Notice of Termination specifying such termination of employment by reason of disability and (c) the Executive does not resume substantially all of his duties hereunder before the expiration of thirty (30) days following the date the Executive receives such Notice of Termination. Upon termination of the Executive's employment pursuant to this Section 4.3, the Executive shall receive, as soon as practicable (but in no event later than twenty (20) days) after the expiration of the thirty-day period referred to in clause (c) above (his "Disability Termination Date") a cash lump-sum payment equal to the total of: (i) any earned but unpaid Base Salary as of his Disability Termination Date and (ii) his Base Salary (at the rate in effect immediately prior to date the Notice of Termination is given) otherwise payable hereunder for the remaining Initial Term of Employment or Renewal Term, if the Notice of Termination is given during the Initial Term of Employment or Renewal Term, respectively.

5. Termination For Cause, or For Other Than Good Reason. In the event the Company, in accordance with this Agreement, terminates the Executive's employment hereunder for Cause (as defined in the Severance Agreement), or the Executive terminates his employment hereunder for reasons other than Good Reason, the Executive shall receive any earned but unpaid Base Salary through the date on which the copy of the duly adopted resolution of the Board finding the matters referred to in Section 3(b)(2) of the Severance Agreement is delivered to the Executive in accordance therewith, or the date as of which the Executive terminates his employment hereunder for reasons other than Good Reason.

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6. Arbitration. The Company and the Executive agree that any dispute, controversy or claim arising out of, relating to or in connection with this Agreement, or the termination of this Agreement or the termination of the Executive's employment hereunder that is not amicably resolved by mutual negotiations shall be finally settled by binding arbitration proceedings initiated by either party in accordance with the rules of the American Arbitration Association and that the results of such proceedings shall be conclusive on both parties and shall not be subject to judicial review. Judgment on the award rendered by the arbitrator or a majority of the panel of arbitrators may be entered in any court having jurisdiction thereover, or application may be made to such court for a judicial acceptance of the award and an order of enforcement.

7. Successors and Binding Effect. (a) Successors of the Company. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform this Agreement if no such succession had taken place, and this Agreement shall inure to the benefit of and shall be binding upon any such successor, subject to the other terms and conditions hereof. If the Company fails to obtain such assumption and agreement prior to the effectiveness of any such succession, this Agreement shall nevertheless continue to determine the Executive's rights and entitlement to receive the compensation, remuneration and benefits provided for or referred to herein. As used in this Agreement, "Company" shall mean the Company, as hereinabove defined, and any successor to the Company and/or its business and/or assets, as described in the first sentence of this Section 7(a).

(b) Assignment. This Agreement is personal in nature and, except as provided in Section 7(a) hereof, neither of the parties to this Agreement shall, without the prior written consent of the other, assign or transfer this Agreement or any right or obligation under this Agreement to any other person; provided, however, that nothing herein shall preclude the Executive's beneficiary, legatee or devisee or the legal representative of the Executive or his estate from receiving any amount or benefit that may be payable or provided to or in respect of the Executive hereunder following his death or legal incompetency.

8. Notices. Any notices required or permitted to be given hereunder shall be in writing, signed, and shall be deemed to be given when delivered personally or sent by certified or registered mail or reputable overnight courier, postage prepaid, addressed to the party concerned at the address indicated below (or to such other address as either party hereto may from time to time in writing specify in the

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manner set forth above to the other party, and which is actually received by such other party):

If to the Company:

20 North Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8260

Attention: President and Chief Executive Officer

If to the Executive:
4606 North 32nd Street
Arlington, Virginia 22207

9. Survival. The respective rights and obligations of the parties hereunder shall survive any termination of this Agreement to the extent necessary to the intended preservation of such rights and obligations. Notwithstanding any other provision of this Agreement to the contrary, in the event the Executive's employment hereunder is terminated by the Company or the Executive for any reason or no reason, the Company shall pay or provide to or on behalf of the Executive such rights and benefits of participation to which the Executive is entitled, following such termination of the Executive's employment, under the Employee Plans in which the Executive is a participant immediately prior to the date on which the Notice of Termination is given (or the Executive's employment hereunder otherwise terminates) and the Supplemental Plan, in accordance with the terms and provisions of such plans.

10. Miscellaneous. This Agreement, including the Severance Agreement, constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes any and all prior or contemporaneous oral and prior written agreements and understandings between the parties hereto concerning such subject matter. No modification or discharge of this Agreement shall be valid unless made in writing and executed by the parties hereto. Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed to constitute a waiver of any such term, covenant or condition. A waiver of any provision of this Agreement must be made in writing, designated a waiver, and signed by the party against whom its enforcement is sought, and shall not be deemed to constitute a waiver of such provision at any other time, nor of any other provision hereof. This Agreement has been executed and delivered in the State of Oklahoma and shall be governed and construed in accordance with the laws of such State, without reference to the principles of conflict of laws. A determination that any provision of this Agreement is invalid or unenforceable shall not affect the validity or enforceability of any other provision hereof. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

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IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first set forth above.

DEVON ENERGY CORPORATION

Dated: _____ By _____
Name:
Title:

DUKE R. LIGON

Dated: _____

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**SUPPLEMENTAL RETIREMENT INCOME AGREEMENT OF
DEVON ENERGY CORPORATION
AND JOHN W. NICHOLS**

(Execution Date: March 26, 1997)

SUPPLEMENTAL RETIREMENT INCOME AGREEMENT

THIS SUPPLEMENTAL RETIREMENT INCOME AGREEMENT by and among DEVON ENERGY CORPORATION (NEVADA), a Nevada corporation ("Devon"), DEVON ENERGY CORPORATION, an Oklahoma corporation ("Devon Energy") and JOHN W. NICHOLS, an individual (the "Executive") dated this 26th day of March, 1997 (the "Agreement").

WITNESSETH:

WHEREAS, Devon and Devon Energy are herein collectively referred to as the "Company" and references herein to the Company shall be applicable to both Devon Energy and Devon unless stated to the contrary; and

WHEREAS, the Executive has been an employee of either the Company or Devon for over 25 years; and

WHEREAS, the Executive has been a key management employee of Devon Energy and Devon, including serving as President and Chairman; and

WHEREAS, the Executive intends to retire as an employee of the Company effective April 30, 1997, but the Executive agrees to continue as Chairman of the Board of Devon Energy if requested by its Board of Directors ; and

WHEREAS, the Company desires to provide a "supplemental retirement income" pursuant to the terms of this Agreement.

NOW, THEREFORE, in consideration of the covenants, provisions and other valuable consideration, the receipt of which is hereby acknowledged by the Executive, the parties hereto agree as follows:

1. Supplemental Retirement Income. The Executive will retire as an employee of the Company effective April 30, 1997. Upon his retirement, Devon Energy shall pay to the Executive the annual supplemental retirement income of \$180,000 (the "Supplemental Retirement Income") provided the Executive remains continuously employed by either Devon Energy or Devon until April 30, 1997. The Supplemental Retirement Income will be paid in equal monthly installments of \$15,000 commencing May 1, 1997 and continuing thereafter for the life of the Executive.
2. Death of the Executive. Upon the death of the Executive Devon Energy shall pay to the Executive's spouse, Mary D. Nichols, if then surviving, the annual sum of \$100,000 payable in equal monthly installments of \$8,333, commencing as of the 1st day of the month following the date of the Executive's death with payments to continue thereafter for her life. After the death of the Executive and his spouse, Mary D. Nichols, no further benefits of any kind will be paid under this Agreement.
3. Termination of Employment Prior to April 30, 1997. In the event that the Executive terminates employment for any reason, other than death or disability, prior to April 30, 1997, then, neither the Executive or his spouse shall have any rights whatsoever in the Supplemental Retirement Income (or any other benefit) otherwise paid pursuant to this Agreement.
4. Restrictions on Alienation of Benefits. No right or benefit under this Agreement shall be subject to anticipation, alienation, sale, assignment, pledge, encumbrance, or charge, and any attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge the same shall be void. No right or benefit hereunder shall in any manner be liable for or subject to the debts, contracts, liabilities, or torts of the person entitled to such benefit. If the Executive under this Agreement should become bankrupt or attempt to anticipate, alienate, sell, assign, pledge, encumber, or charge any right to a benefit under this Agreement, then such right or benefit shall, in the discretion of the Compensation Committee appointed by the Board of Directors of the Company (the "Committee"), be held or applied for the benefit of the Executive, his spouse, children, or other dependents, or any of them, in such manner and in such portion as the Committee, in its sole and absolute discretion, may deem proper.
5. No Trust. No action under this Agreement by the Company, its Board of Directors or the Committee shall be construed as creating a trust, escrow or other secured or segregated fund in favor of the Executive, his spouse, or any other persons otherwise entitled to his Supplemental Retirement Income. The status of the Executive and his spouse with respect to any liabilities assumed by the Company hereunder shall be solely those of unsecured creditors of the Company and/or any subsidiary. Any asset acquired or held by the Company or any subsidiary in connection with liabilities assumed by it hereunder, shall not be deemed to be held under any trust, escrow or other secured or segregated fund for the benefit of the Executive or his Beneficiaries or to be security for the performance of the obligations of the Company or any subsidiary,

but shall be, and remain a general, unpledged, unrestricted asset of the Company or any subsidiary at all times subject to the claims of general creditors of the Company or any subsidiary.

6. Withholding and Other Employment Taxes. The Company shall comply with all federal and state laws and regulations respecting the withholding, deposit and payment of any income or other taxes relating to any payments made under this Agreement.

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7. Claims Procedure.

(a) The Committee shall make all determinations as to the right of any person to benefits. If any request for a benefit is wholly or partially denied, the Committee shall notify the person requesting the pension benefits, in writing, of such denial, including in such notification the following information:

(b) the specific reason or reasons for such denial;

(c) the specific references to the pertinent Agreement provisions upon which the denial is based;

(d) a description of any additional material and information which may be needed to clarify the request, including an explanation of why such information is required; and

(e) an examination of this Agreement's review procedure with respect to denial of benefits.

Provided, that any such notice to be delivered to the Executive shall be mailed by certified or registered mail and shall be written to the best of the Committee's ability in a manner that may be understood without legal counsel.

8. Review Procedure. The Executive or his surviving spouse whose claim has been denied in accordance with Section 7 herein may appeal to the Committee for review of such denial by making a written request therefor within 60 days of receipt of the notification of such denial. The Executive or his surviving spouse may examine documents pertinent to the review and may submit to the Committee written issues and comments. Within 60 days after receipt of the request for review, the Committee shall communicate to the claimant, in writing, its decision, and the communication shall set forth the reason or reasons for the decision and specific reference to those Agreement provisions upon which the decision is based.

9. Records and Reports. The Committee shall exercise such authority and responsibility as it deems appropriate in order to comply with governmental regulations relating to records of the Executive's accounts and benefits which may be paid under the Agreement; and to notify the Executive and Beneficiaries as required.

10. Other Committee Powers and Duties. The Committee shall have such duties and powers as may be necessary to discharge its duties hereunder, including, but not by way of limitation, the following:

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(a) to construe and interpret the Agreement in its sole and absolute discretion, decide all questions of eligibility and determine the amount, manner and time of payment of any benefits hereunder;

(b) to prescribe procedures to be followed by the Executive filing applications for benefits;

(c) to prepare and distribute, in such manner as the Committee determines to be appropriate, information explaining the Agreement;

(d) to receive from the Company and from the Executive and Beneficiaries such information as shall be necessary for the proper administration of the Agreement;

(e) to furnish the Company, upon request, such reports with respect to the administration of the Agreement as are reasonable and appropriate;

(f) to appoint and employ individuals and any other agents it deems advisable, including legal counsel, to assist in the administration of the Agreement and to render advice with respect to any responsibility of the Committee, or any of its individual members, under the Agreement;

(g) to allocate among themselves who shall be responsible for specific duties and to designate fiduciaries (other than Committee members) to carry out responsibilities under the Agreement; provided that any such allocations shall be reduced to writing, signed by all Committee members, and filed in a permanent Committee minute book; and

(h) to maintain continuing review of applicable laws, implementing regulations thereto and suggest changes and modifications to the

Company in connection with delegations of responsibility, as appropriate, and amendments to the Agreement.

11. Rules and Decisions. The Committee may adopt such rules as it deems necessary, desirable, or appropriate. When making a determination or calculation, the Committee shall be entitled to rely upon information furnished by a Executive, the Company or the legal counsel of the Company.

12. Committee Procedures. The Committee may act at a meeting or in writing without a meeting. The Committee shall have a chairman, and appoint a secretary, who may or may not be a Committee member. The secretary shall keep a record of all meetings in a permanent Committee minute book and forward all necessary communications to the Company. The Committee may adopt such bylaws and regulations as it deems desirable for the conduct of its affairs. All decisions of the Committee shall be made by the vote of the majority in-

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cluding actions in writing taken without a meeting. A dissenting Committee member who, within a reasonable time after he has knowledge of any action or failure to act by the majority, registers his dissent in writing delivered to the other Committee members, to the extent permitted by law, shall not be responsible for any such action or failure to act.

13. Assumption of Agreement. The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform the Company's obligations under this Agreement in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place.

14. Joint Obligations. For purposes of this Agreement, Devon Energy and Devon shall have joint and several liabilities for all obligations hereunder.

15. Miscellaneous.

15.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Oklahoma, without reference to principles of conflict of laws.

15.2 Headings. The captions of this Agreement are not part of the provisions hereof and shall have no force and effect.

15.3 Taxes. The Executive acknowledges that the payments and benefits to which he is entitled to under this Agreement will be includable in his taxable income. Accordingly, Executive agrees (i) to pay all required taxes attributable to such payments and benefits and (ii) that the Company may, if required, withhold all applicable taxes from such payments and benefits.

15.4 Amendment. This Agreement may not be amended or modified otherwise than by a written agreement executed by the parties hereto or their respective heirs, successors, assigns or the legal representatives, as the case may be.

15.5 Notices. All notices and other communications hereunder shall be in writing and shall be given by hand delivery to the other party or by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

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If to Executive:

John W. Nichols
7300 Nichols Road
Oklahoma City, Oklahoma 73120

If to the Company:

Devon Energy Corporation
20 N. Broadway, Suite 1500
Oklahoma City, Oklahoma 73102-8204

Attention: J. Larry Nichols
President and
Chief Executive Officer

or such other address as either party shall have furnished to the other in writing in accordance herewith. Notices and communications shall be effective when actually received by the addressee.

15.6 Severability. The invalidity or enforce- ability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

15.7 No Waiver. The Company's or the Executi- ve's failure to insist upon strict compliance with any provi- sion hereof shall not be deemed to be a waiver of such provi- sion or any other provision hereof.

15.8 Entire Agreement. This Agreement con- tains the entire understanding of the Company and Executive with respect to the subject matter hereof.

15.9 Binding Effect. This Agreement shall inure to the benefit of and be binding upon the Company, Executive, their respective heirs, successors, assigns or legal representatives, as the case may be.

IN WITNESS WHEREOF, Executive has hereunto set his hand and, pursuant to the authorization from its Board of Directors, the Company has caused these presents to be execut- ed in its name on its behalf, all as of the day and year first above written.

EXECUTED the date and year first above written.

DEVON ENERGY CORPORATION, an
Oklahoma corporation

By: _____

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J. Larry Nichols, President and Chief Executive Officer

"COMPANY"

APPROVED THIS 26TH DAY OF
MARCH, 1997

BOARD OF DIRECTORS OF
DEVON ENERGY CORPORATION

By _____
David Gavrin, Chairman of
Compensation Committee

DEVON ENERGY CORPORATION
(NEVADA), a Nevada corporation

By: _____
J. Larry Nichols, President and Chief Executive Officer

"DEVON"

John W. Nichols

"EXECUTIVE"

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