DEVON ENERGY CORP/DE

FORM 10-Q
(Quarterly Report)

Filed 05/11/00 for the Period Ending 03/31/00

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

DEVON ENERGY CORP/DE

FORM 10-Q
(Quarterly Report)

Filed 5/11/2000 For Period Ending 3/31/2000

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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2000

OR

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

Commission File No. 0-30176

DEVON ENERGY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware	73-1567067
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
20 North Broadway, Suite 1500 Oklahoma City, Oklahoma	73102 -8260
(Address of Principal Executive Offices)	(Zip Code)

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

Not applicable

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

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

The number of shares outstanding of Registrant's common stock, par value $.10, as of April 30, 2000, was 86,595,000.

1 of 28 total pages

(Exhibit Index is found at page 27)

DEVON ENERGY CORPORATION

Index to Form 10-Q Quarterly Report
to the Securities and Exchange Commission

DEFINITIONS

As used in this document:
"Mcf" means thousand cubic feet

"MMcf" means million cubic feet "Bcf" means billion cubic feet "Bbl" means barrel "MBbls" means thousand barrels "MMBbls" means million barrels "Boe" means equivalent barrels of oil "Mboe" means thousand equivalent barrels of oil "Oil" includes crude oil and condensate "NGLs" means natural gas liquids

DEVON ENERGY CORPORATION

Part I. Financial Information

Item 1. Consolidated Financial Statements March 31, 2000 and 1999

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

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
(In Thousands, Except Share Data)

	March 31, 2000 (Unaudited)	December 31, 1999
Assets		
Current assets:		
Cash and cash equivalents	$ 49,788	167,167
Accounts receivable	228,290	209,405
Inventories	14,787	13,441
Deferred income taxes	4,886	4,886
Investments and other current assets	15,812	22,295
Total current assets	313,563	417,194
Property and equipment, at cost, based on the full cost method of accounting for oil and gas properties	5,079,686	4,974,810
Less accumulated depreciation, depletion and amortization	1,917,742	1,818,890
	3,161,944	3,155,920
Investment in Chevron Corporation common stock, at fair value	655,606	614,382
Goodwill, net of amortization	314,955	322,800
Other assets	115,089	112,864
Total assets	$4,561,157	4,623,160
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable:		
Trade	78,384	75,625
Revenues and royalties due to others	55,069	58,130
Income taxes payable	31,834	11,287
Accrued interest payable	25,217	26,270
Merger related expenses payable	32,016	32,504
Accrued expenses	22,621	23,628
Total current liabilities	245,141	227,444
Other liabilities	173,680	192,210
Debentures exchangeable into shares of Chevron Corporation common stock	760,313	760,313
Other long-term debt	842,004	1,026,808
Deferred income taxes	424,184	390,865
Stockholders' equity:		
Preferred stock of $1.00 par value ($100 liquidation value). Authorized 4,500,000 shares; issued 1,500,000 in 2000 and 1999	1,500	1,500
Common stock of $.10 par value. Authorized 400,000,000 shares; issued 86,520,000 in 2000 and 86,085,000 in 1999	8,652	8,608
Additional paid-in capital	2,257,795	2,246,652
Accumulated deficit	(110,362)	(164,698)
Accumulated other comprehensive loss	(41,750)	(66,542)
Total stockholders' equity	2,115,835	2,025,520
Total liabilities and stockholders' equity	$4,561,157	4,623,160

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
(In Thousands, Except Per Share Amounts)

	Three Months Ended March 31, 2000	1999
	(Unaudited)	
Revenues		
Oil sales	$145,544	27,913
Gas sales	155,532	53,551
Natural gas liquids sales	35,270	3,929
Other	11,365	1,873
Total revenues	347,711	87,266
Costs and expenses		
Lease operating expenses	65,893	27,420
Production taxes	10,420	2,969
Depreciation, depletion and amortization of property and equipment	108,552	33,558
Amortization of goodwill	10,332	-
General and administrative expenses	16,650	6,223
Interest expense	25,276	6,664
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	2,408	(3,161)
Distributions on preferred securities of subsidiary trust	-	2,429
Total costs and expenses	239,531	76,102
Earnings before income tax expense	108,180	11,164
Income tax expense		
Current	29,847	1,903
Deferred	17,246	3,281
Total income tax expense	47,093	5,184
Net earnings	61,087	5,980
Preferred stock dividends	2,434	-
Net earnings applicable to common shareholders	$ 58,653	5,980
Net earnings per average common share outstanding:		
Basic	$0.68	0.12
Diluted	$0.67	0.12
Weighted average common shares outstanding - basic	86,208	48,470

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Operations
(In Thousands)

	Three Months Ended March 31, 2000	1999
	(Unaudited)	
Net earnings	$61,087	5,980
Other comprehensive earnings, net of tax:		
Foreign currency translation adjustments	(355)	1,624
Unrealized gains on marketable securities	25,147	-
Comprehensive earnings	$85,879	7,604

See accompanying notes to consolidated financial statements.

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

	Three Months Ended March 31, 2000 (Unaudited)	1999
Cash flows from operating activities		
Net earnings	$ 61,087	5,980
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, depletion and amortization of property and equipment	108,552	33,558
Amortization of goodwill	10,332	-
Amortization of premiums on debentures	(1,023)	-
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	2,408	(3,161)
Gain on sale of assets	(22)	(18)
Deferred income taxes	17,246	3,281
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(19,970)	5,562
Inventories	(1,347)	(32)
Prepaid expenses	7,393	(1,121)
Other assets	(7,151)	76
(Decrease) increase in:		
Accounts payable	(78)	20,287
Income taxes payable	21,641	-
Accrued expenses	(3,711)	(6,608)
Long-term other liabilities	(13,987)	(737)
Net cash provided by operating activities	181,370	57,067
Cash flows from investing activities		
Proceeds from sale of property and equipment	3,048	4,702
Capital expenditures	(118,555)	(82,798)
Decrease in other assets	96	448
Net cash used in investing activities	(115,411)	(77,648)
Cash flows from financing activities		
Proceeds from borrowings on revolving lines of credit	322,886	297,063
Principal payments on revolving lines of credit	(280,670)	(281,934)
Principal payments on other long-term debt	(225,000)	-
Issuance of common stock, net of issuance costs	11,186	1,654
Dividends paid on common stock	(4,317)	(2,424)
Dividends paid on preferred stock	(2,434)	-
(Decrease) increase in long-term other liabilities	(4,522)	525
Net cash (used in) provided by financing activities	(182,871)	14,884
Effect of exchange rate changes on cash	(467)	(17)
Net decrease in cash and cash equivalents	(117,379)	(5,714)
Cash and cash equivalents at beginning of period	167,167	19,154
Cash and cash equivalents at end of period	$ 49,788	13,440

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements and notes thereto have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. 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 1999 Annual Report on Form 10-K.

In the opinion of Devon's management, all adjustments (all of which are normal and recurring) have been made which are necessary to fairly state the consolidated financial position of Devon and its subsidiaries as of March 31, 2000, and the results of their operations and their cash flows for the three month periods ended March 31, 2000 and 1999.

2. Long-Term Debt

In March 2000, Devon entered into a new unsecured, fixed- rate money market note with The Chase Manhattan Bank. This note is short-term and permits multiple borrowings. Devon currently has the ability to borrow up to a $200 million limit. As of March 31, 2000, $35 million was outstanding under this note at an average interest rate of 6.5%. If this short-term note is not extended at its May 22, 2000 maturity, Devon intends to refinance any balance due with borrowings from its long-term credit facilities. Such long-term credit facilities had $429.4 million of availability at the end of March 2000. Accordingly, the $35 million outstanding under the short-term note are classified as long-term debt on the March 31, 2000 consolidated balance sheet.

3. Earnings Per Share

The following table reconciles the net earnings and common shares outstanding used in the calculations of basic and diluted earnings per share for the three-month period ended March 31, 2000. The diluted earnings per share calculation for the three months ended March 31, 1999, produced results that are anti- dilutive.

	Net Earnings Applicable to Common Shareholders	Common Shares Outstanding	Net Earnings Per Share
	(In Thousands)		
Three Months Ended March 31, 2000:			
Basic earnings per share	$58,653	86,208	$0.68
Dilutive effect of potential common shares issuable upon the exercise of outstanding stock options	-	825	
Diluted earnings per share	$58,653	87,033	$0.67

Options to purchase approximately 1.5 million shares of Devon's common stock, with exercise prices from $39.44 to $92.78 per share (with a weighted average price of $62.45 per share), were excluded from the diluted earnings per share calculation for first quarter 2000. The excluded options expire between April 26, 2000 and March 17, 2010. All options were excluded from the diluted earnings per share calculation for first quarter 1999.

4. Segment Information

Devon manages its business by country. As such, Devon identifies its segments based on geographic areas. Devon has three segments: its operations in the U.S., its operations in Canada and its international operations outside of North America. Substantially all of these segments' operations involve oil and gas producing activities. Following is certain financial information regarding Devon's segments for the first quarters of 2000 and 1999. The revenues reported are all from external customers.

	U.S.	Canada	International	Total
		(In Thousands)		
As of March 31, 2000:				

Current assets	$ 225,008	62,625	25,930	313,563
Property and equipment, net of accumulated depreciation, depletion and amortization	2,364,800	481,122	316,022	3,161,944
Investment in Chevron Corporation common stock	655,606	-	-	655,606
Goodwill, net of amortization	288,086	-	26,869	314,955
Other assets	113,612	92	1,385	115,089
Total assets	$3,647,112	543,839	370,206	4,561,157
Current liabilities	185,587	46,506	13,048	245,141
Debentures exchangeable into shares of Chevron Corporation common stock	760,313	-	-	760,313
Other long-term debt	673,444	168,560	-	842,004
Deferred income taxes	382,788	14,638	26,758	424,184
Other liabilities	147,473	2,701	23,506	173,680
Stockholders' equity	1,497,507	311,434	306,894	2,115,835
Total liabilities and stockholders' equity	$3,647,112	543,839	370,206	4,561,157
Three Months ended March 31, 2000:				
Revenues				
Oil sales	$ 114,976	28,518	2,050	145,544
Gas sales	126,010	29,522	-	155,532
Natural gas liquids sales	30,901	4,369	-	35,270
Other	10,450	1,091	(176)	11,365
Total revenues	282,337	63,500	1,874	347,711
Costs and expenses				
Lease operating expenses	52,704	12,304	885	65,893
Production taxes	10,193	227	-	10,420
Depreciation, depletion and amortization of property equipment	92,376	15,994	182	108,552
Amortization of goodwill	10,326	-	6	10,332
General and administrative expenses	13,127	2,254	1,269	16,650
Interest expense	22,848	2,428	-	25,276
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	-	2,408	-	2,408
Total costs and expenses	201,574	35,615	2,342	239,531
Earnings (loss) before income tax expense	80,763	27,885	(468)	108,180
Income tax expense				
Current	29,147	700	-	29,847
Deferred	4,296	12,910	40	17,246
Total income tax expense	33,443	13,610	40	47,093
Net earnings (loss)	47,320	14,275	(508)	61,087
Preferred stock dividends	2,434	-	-	2,434
Net earnings (loss) applicable to common shareholders	$ 44,886	14,275	(508)	58,653
Capital expenditures	$ 80,478	36,026	2,051	118,555

4. Segment Information (Continued)

	U.S.	Canada	International	Total
		(In Thousands)		
Three Months ended March 31, 1999:				
Revenues				
Oil sales	$ 14,467	13,446	-	27,913
Gas sales	28,161	25,390	-	53,551
Natural gas liquids sales	2,518	1,411	-	3,929
Other	700	1,173	-	1,873
Total revenues	45,846	41,420	-	87,266
Costs and expenses				
Lease operating expenses	14,923	12,497	-	27,420
Production taxes	2,592	377	-	2,969
Depreciation, depletion and amortization of property equipment	18,009	15,549	-	33,558
Amortization of goodwill	-	-	-	-
General and administrative expenses	2,914	3,309	-	6,223
Interest expense	642	6,022	-	6,664
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	-	(3,161)	-	(3,161)
Distributions on preferred securities of subsidiary trust	2,429	-	-	2,429
Total costs and expenses	41,509	34,593	-	76,102
Earnings before income tax expense	4,337	6,827	-	11,164
Income tax expense				
Current	820	1,083	-	1,903
Deferred	95	3,186	-	3,281
Total income tax expense	915	4,269	-	5,184
Net earnings	$ 3,422	2,558	-	5,980
Capital expenditures	$ 42,466	40,332	-	82,798

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

The following discussion addresses material changes in results of operations for the three months ended March 31, 2000, compared to the three months ended March 31, 1999, and in financial condition since December 31, 1999. It is presumed that readers have read or have access to Devon's 1999 Annual Report on Form 10-K.

Overview

Devon's revenues and net earnings for the quarter ended March 31, 2000, were the highest of any quarter in its history. Net earnings for the first quarter of 2000 were $61.1 million, or 68 cents per share. This compares to net earnings of $6.0 million, or 12 cents per share for the first quarter of 1999. The increase in first quarter earnings was due to sharply higher oil and natural gas production coupled with higher overall oil and natural gas prices. The increase in first quarter production resulted primarily from the August 17, 1999, merger of PennzEnergy Company into Devon.

The merger also drove many of the significant changes in assets and liabilities for Devon for the quarter. The transaction more than doubled Devon's total assets and proved oil and gas reserves and significantly expanded the scope of the company's operations. The merger added 396 million Boe of reserves, approximately 13 million net acres of undeveloped leasehold and $3.2 billion of assets to Devon's balance sheet.

Results of Operations

Total revenues increased $260.4 million, or 298%, in the first quarter of 2000. This was the result of increases in the average prices of oil, gas and NGLs, along with higher production on a combined Boe basis. Oil, gas and NGLs revenues were up $251.0 million, or 294%, for the first quarter of 2000 compared to the first quarter of 1999. The quarterly comparisons of production and price changes are shown in the following tables. (Note: Unless otherwise stated, all dollar amounts are expressed in U.S. dollars.)

The PennzEnergy merger was accounted for under the purchase method of accounting for business combinations. Therefore, Devon's first quarter 1999 results discussed in this report do not include any effect of PennzEnergy's operations.

	Total Three Months Ended March 31,		
	2000	1999	Change
Production			
Oil (MBbls)	5,695	2,565	+122%
Gas (MMcf)	68,814	35,122	+96%
NGL (MBbls)	1,776	476	+273%
Oil, Gas and NGLs (MBoe)1	18,940	8,895	+113%
Average Prices			
Oil (Per Bbl)	$25.56	10.88	+135%
Gas (Per Mcf)	2.26	1.52	+49%
NGL (Per Bbl)	19.86	8.25	+141%
Oil, Gas and NGLs (Per Boe)1	17.76	9.60	+85%
	(In Thousands)		
Revenues			
Oil	$145,544	27,913	+421%
Gas	155,532	53,551	+190%
NGLs	35,270	3,929	+798%
Combined	$336,346	85,393	+294%

	Domestic Three Months Ended March 31,		
	2000	1999	Change
Production			
Oil (MBbls)	4,195	1,299	+223%
Gas (MMcf)	52,436	16,361	+220%
NGL (MBbls)	1,602	314	+410%
Oil, Gas and NGLs (MBoe)1	14,536	4,340	+235%
Average Prices			
Oil (Per Bbl)	$27.41	11.14	+146%
Gas (Per Mcf)	2.40	1.72	+40%
NGL (Per Bbl)	19.29	8.02	+141%
Oil, Gas and NGLs (Per Boe)1	18.70	10.40	+80%
	(In Thousands)		
Revenues			
Oil	$114,976	14,467	+695%

Gas	126,010	28,161	+347%
NGLs	30,901	2,518	+1,127%
Combined	$271,887	45,146	+502%

	Canada Three Months Ended March 31,		
	2000	1999	Change
Production			
Oil (MBbls)	1,202	1,266	-5%
Gas (MMcf)	16,378	18,761	-13%
NGL (MBbls)	174	162	+7%
Oil, Gas and NGLs (MBoe)1	4,106	4,555	-10%
Average Prices			
Oil (Per Bbl)	$23.73	10.62	+123%
Gas (Per Mcf)	1.80	1.35	+33%
NGL (Per Bbl)	25.11	8.71	+188%
Oil, Gas and NGLs (Per Boe)1	15.20	8.84	+72%
	(In Thousands)		
Revenues			
Oil	$28,518	13,446	+112%
Gas	29,522	25,390	+16%
NGLs	4,369	1,411	+210%
Combined	$62,409	40,247	+55%

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

In addition to the volumes included in the prior tables for domestic and Canadian production, in the first quarter of 2000 Devon also produced 274,000 barrels of oil in Venezuela and 24,000 barrels of oil in Azerbaijan. The oil revenues generated by this production were $2.1 million. This production was added by the PennzEnergy merger.

Oil Revenues. Oil revenues increased $117.6 million, or 421%, in the first quarter of 2000. Oil revenues increased $83.6 million due to a $14.68 per barrel increase in the average price of oil in 2000. An increase in 2000's production of 3.1 million barrels caused oil revenues to increase by $34.0 million. The PennzEnergy merger added 3.4 million barrels of oil in the first quarter of 2000. This increase was partially offset by a 0.3 million barrel decline in first quarter 2000 production from Devon's other properties. This reduction was primarily the result of natural decline.

Gas Revenues. Gas revenues increased $102.0 million, or 190%, in 2000's first quarter. Production rose 33.7 Bcf in the 2000 period, which added $51.4 million of gas revenues. A $0.74 per Mcf increase in the average gas price in the first quarter of 2000 contributed $50.6 million of the increase in gas revenues.

The largest contributor to the 2000 production increase was production added by the PennzEnergy merger. The PennzEnergy properties added 34.4 Bcf of production in the first quarter of 2000. Gas production from Devon's historical domestic properties also increased in the 2000 quarter. This was primarily the result of a 0.8 Bcf increase in production from Devon's San Juan Basin coal seam gas properties. These properties produced 6.3 Bcf in the 2000 quarter compared to 5.5 Bcf in the 1999 quarter. This increase was primarily the result of mechanical improvements implemented at the Northeast Blanco Unit coal seam gas property.

These domestic increases were partially offset by a decline in Canadian gas production of 2.4 Bcf, or 13% in the 2000 quarter. Approximately half of the decline, or 1.2 Bcf, was related to production from certain Canadian properties that were included in the 1999 quarter but were sold prior to the 2000 quarter. Additionally, 0.4 Bcf of the decline was the result of increased Canadian government royalties which fluctuate based on pricing. The remainder of the reduction was related to natural decline.

NGLs Revenues. NGLs revenues increased $31.3 million, or 798%, in the first quarter of 2000. An increase in the average price in 2000 of $11.61 per barrel, or 141%, caused NGLs revenues to increase $20.6 million in the 2000 period. A production increase of 1.3 million barrels caused revenues to increase $10.7 million. Production from the PennzEnergy merger properties during first quarter 2000 accounted for 1.3 million barrels.

Other Revenues. Other revenues increased $9.5 million, or 507%, in the 2000 quarter. The 2000 period included $4.6 million of dividend income from the 7.1 million shares of Chevron Corporation common stock acquired in the PennzEnergy merger. This dividend income, along with increases in third-party gas processing revenues and interest income were the primary reasons for the substantial increase in other revenues. The increase in interest income was primarily related to higher than normal cash on hand in the first quarter of 2000.

Production and Operating Expenses. The components of production and operating expenses for the first quarter of 2000 and 1999 are set forth in the following tables.

Total	2000	1999	Change
	Three Months Ended March 31,		
Absolute (Thousands)			
Recurring operations and maintenance expenses	$62,835	26,032	+141%
Well workover expenses	3,058	1,388	+120%
Production taxes	10,420	2,969	+251%
Total production and operating expenses	$76,313	30,389	+151%
Per Boe			
Recurring operations and maintenance expenses	3.32	2.93	+13%
Well workover expenses	0.16	0.16	0%
Production taxes	0.55	0.33	+65%
Total production and operating expenses	$4.03	3.42	+18%

Domestic	2000	1999	Change
	Three Months Ended March 31,		
Absolute (Thousands)			
Recurring operations and maintenance expenses	$49,780	13,808	+261%
Well workover expenses	2,924	1,115	+162%
Production taxes	10,193	2,592	+293%
Total production and operating expenses	$62,897	17,515	+259%
Per Boe			
Recurring operations and maintenance expenses	3.43	3.18	+8%
Well workover expenses	0.20	0.26	-22%
Production taxes	0.70	0.60	+17%
Total production and operating expenses	$4.33	4.04	+7%

Canada	2000	1999	Change
	Three Months Ended March 31,		
Absolute (Thousands)			
Recurring operations and maintenance expenses	$12,170	12,224	0%
Well workover expenses	134	273	-51%
Production taxes	227	377	-40%
Total production and operating expenses	$12,531	12,874	-3%
Per Boe			
Recurring operations and maintenance expenses	2.96	2.69	+10%
Well workover expenses	0.03	0.06	-46%
Production taxes	0.06	0.08	-33%
Total production and operating expenses	$3.05	2.83	+8%

In addition to the expenses included in the prior tables for domestic and Canadian operations, the first quarter 2000 also included $0.9 million of recurring lease operating expenses on properties outside of North America. These expenses were related to properties added by the PennzEnergy merger.

Recurring operations and maintenance expenses increased $36.8 million, or 141%, in the first quarter of 2000. Domestic expenses increased $36.0 million in first quarter 2000 due to $35.8 million of expenses from the PennzEnergy properties. Other than the added costs from the PennzEnergy properties, recurring expenses in Devon's other domestic properties increased $0.2 million in first quarter 2000. Recurring operations and maintenance expenses were lower than normal in the first quarter of 1999 as certain non-essential services in Devon's primary oil producing properties were delayed due to the 1999 quarter's low oil prices. However, with the subsequent increase in oil prices, these delays did not continue in the first quarter of 2000.

Production taxes increased $7.5 million, or 251%, in the 2000 quarter. The majority of Devon's production taxes are assessed on its onshore domestic properties. In the U.S., most of the production taxes are based on a fixed percentage of revenues. Therefore, the 502% increase in domestic oil, gas and NGLs revenues in the first quarter of 2000 was the primary cause of the production tax increase. Production taxes did not increase proportionately to the increase in revenues. This was primarily due to the addition in 1999 of gas revenues from offshore Gulf of Mexico properties acquired in the PennzEnergy merger. Revenues generated from such offshore properties do not incur state production taxes.

Depreciation, Depletion and Amortization Expenses ("DD&A"). Oil and gas property related DD&A increased $70.8 million, or 217%, from $32.6 million in the first quarter of 1999 to $103.4 million in the first quarter of 2000. Oil and gas property related DD&A expense increased $36.8 million due to the 113% increase in combined oil, gas and NGLs production in 2000. Additionally, an increase in the combined U.S., Canadian and international DD&A rate from $3.66 per Boe in 1999 to $5.46 per Boe in 2000 caused oil and gas property related DD&A to increase by $34.0 million. The $1.80 increase in the 2000 rate over the 1999 rate is primarily the result of the PennzEnergy merger.

Non-oil and gas property DD&A expense increased $4.2 million from $5.2 million in the first quarter of 2000 compared to $1.0 million the first quarter of 1999. Depreciation of the non-oil and gas properties acquired in the PennzEnergy merger and depreciation on the new gas pipeline and gathering system in Wyoming accounted for the increase.

Amortization of Goodwill. In connection with the PennzEnergy merger, Devon recorded $341.4 million of goodwill. The goodwill was allocated $314.5 million to domestic properties and $26.9 million to international properties. The goodwill is being amortized using the units-of-production method. Substantially all of the $10.3 million of amortization recognized in the first quarter of 2000 was related to the domestic balance.

General and Administrative Expenses ("G&A"). Devon's net G&A consists of three primary components. The largest of these components is the gross amount of expenses incurred for personnel costs, office expenses, professional fees and other G&A items. The gross amount of these expenses is partially reduced by two offsetting components. One is the amount of G&A capitalized pursuant to the full-cost method of accounting. The other is the amount of G&A reimbursed by working interest owners of properties for which Devon serves as the operator. These reimbursements are received during both the drilling and operational stages of a property's life. The gross amount of G&A incurred, less the amounts capitalized and reimbursed, is recorded as net G&A in the consolidated statements of operations. The following table is a summary of G&A expenses by component for the first quarter of 2000 and 1999.

	Three Months Ended March 31, 2000 (In Thousands)	Three Months Ended March 31, 1999 (In Thousands)
Gross G&A	$32,669	13,117
Capitalized G&A	(8,088)	(2,547)
Reimbursed G&A	(7,931)	(4,347)
Net G&A	$16,650	6,223

Net G&A increased $10.4 million, or 168%, in the first quarter of 2000 compared to the first quarter of 1999. Gross G&A increased $19.5 million, or 149%. The increase in gross expenses in the first quarter of 2000 was primarily related to additional costs incurred as a result of the PennzEnergy merger.

G&A was reduced $5.5 million due to an increase in the amount capitalized as part of oil and gas properties. G&A was also reduced by a $3.6 million increase in the amount of reimbursements on operated properties in the 2000 quarter. The increase in capitalized and reimbursed G&A was primarily related to the PennzEnergy merger.

Interest Expense. Interest expense increased $18.6 million, or 279%, in 2000's first quarter. An increase in the average debt balance outstanding from $418.0 million in 1999 to $1.65 billion in 2000 caused interest expense to increase by $18.9 million. The increase in the average debt balance in the first quarter of 2000 was attributable to the long-term debt assumed in the PennzEnergy merger. The average rate on the debt outstanding was 6.2% in both quarters and had no effect on the interest expense variance. The remaining decrease of $0.3 million was caused by other factors as shown in the following table.

The following schedule includes the components of interest expense for the first quarter of 2000 and 1999.

	Three Months Ended March 31, 2000 (In Thousands)	Three Months Ended March 31, 1999 (In Thousands)
Interest on debt outstanding	$25,275	6,419
Facility and agency fees	290	147
Amortization of capitalized loan costs	147	69
Capitalized interest	(496)	-
Other	60	29
Total interest expense	$25,276	6,664

Deferred Effect of Changes in Foreign Currency Exchange Rate on Subsidiary's Long-term Debt. Until mid-January 2000, Devon's Canadian subsidiary Northstar Energy Corporation had certain fixed-rate senior notes which were denominated in U.S. dollars. Changes in the exchange rate between the U.S. dollar and the Canadian dollar from the dates the notes were issued to the dates of repayment increased or decreased the expected amount of Canadian dollars eventually required to repay the notes. Such changes in the Canadian dollar equivalent balance of the debt were required to be included in determining net earnings for the period in which the exchange rate changed. In mid-January 2000, the U.S. dollar denominated notes were retired prior to maturity with cash on hand and borrowings under Devon's long-term credit facilities. The Canadian-to-U.S. dollar exchange rate dropped slightly in January prior to the debt retirement. As a result, $2.4 million of expense was recognized in the first quarter of 2000.

Distributions on Preferred Securities of Subsidiary Trust. During the first quarter of 1999, Devon had $149.5 million of 6.5% Trust Convertible Preferred Securities outstanding. Distributions on these securities accrued and were paid at the rate of 1.625% per quarter. On November 30, 1999, Devon exercised its right to redeem such securities. As a result, no distributions were recorded in the 2000 quarter.

Income Taxes. During interim periods, income tax expense is based on the estimated effective income tax rate that is expected for the entire fiscal year. The estimated effective tax rate in the first quarter of 2000 was 44%, compared to 46% estimated in the first quarter of 1999.

The lower expected 2000 rate is primarily due to the effect of certain components of 2000's income tax expense that will not fluctuate in relation to pre-tax earnings. Examples are the amounts of amortization of goodwill and certain Canadian DD&A recorded for financial statement purposes that are not deductible for income tax purposes, and the Canadian large corporation tax that is based on capitalization levels instead of pre-tax earnings. As pre-tax earnings increase, these fixed components have less impact on the effective tax rate.

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

Included as deferred tax assets at March 31, 2000, were approximately $150 million of net operating loss carryforwards. The carryforwards include U.S. federal net operating loss carryforwards, the majority of which do not begin to expire until 2008, U.S. state net operating loss carryforwards which expire primarily between 2000 and 2013, Canadian carryforwards which expire primarily between 2000 and 2005 and minimum tax credits which have no expiration. Devon expects the tax benefits from the net operating loss carryforwards to be utilized between 2000 and 2006. Such expectation is based upon current estimates of taxable income during this period, considering limitations on the annual utilization of these benefits as set forth by federal tax regulations. Significant changes in such estimates caused by variables such as future oil and gas prices or capital expenditures could alter the timing of the eventual utilization of such carryforwards. There can be no assurance that Devon will generate any specific level of continuing taxable earnings. However, Devon's management believes that future taxable income will more likely than not be sufficient to utilize substantially all its tax carryforwards prior to their expirations.

Capital Expenditures, Capital Resources and Liquidity

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

Capital Expenditures. Approximately $118.6 million was spent in the first three months of 2000 for capital expenditures. This total includes $94.2 million for the acquisition, drilling or development of oil and gas properties, $16.6 million related to the construction of an extensive gas gathering system, related CO_2 removal facilities and gas processing project all located in the Powder River Basin of Wyoming, and $7.8 million for other fixed assets.

Approximately $82.8 million was spent for capital expenditures in the first quarter of 1999. This total includes $69.9 million for the acquisition, drilling or development of oil and gas properties, $12.1 million related to the construction of the new gas pipeline and gathering system in Wyoming, and $0.8 million for other fixed assets.

Capital Resources and Liquidity. Net cash provided by operating activities ("operating cash flow") continued to be the primary source of capital and liquidity in the first quarter of 2000. Operating cash flow in the first quarter of 2000 was $181.4 million, compared to $57.1 million in the first quarter of 1999. The increase in operating cash flow in the 2000 quarter was primarily caused by the rise in revenues, partially offset by increased expenses, as discussed earlier in this section.

Devon used its operating cash flow and excess cash on hand at the beginning of 2000 to fund its capital expenditures and reduce long-term debt by over $180 million during the first quarter. As of May 9, 2000, Devon had approximately $383 million available under its $750 million credit facilities.

Impact of Recently Issued Accounting Standards Not Yet Adopted. In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires the recognition of all derivatives as either assets or liabilities in the statement of financial position and measurement of those instruments at fair value. If certain conditions are met, a derivative may be specifically designated as a hedge. The accounting for changes in the fair value of a derivative (that is gains and losses) depends on the intended use of the derivative and whether it qualifies as a hedge. A subsequent pronouncement, SFAS 137, was issued in July 1999 which delayed the effective date of SFAS 133 until fiscal years beginning after June 15, 2000. Devon plans to adopt the provision of SFAS 133 in the first quarter of the year ending December 31, 2001, and is currently evaluating the effects of this pronouncement.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information included in "Quantitative and Qualitative Disclosures About Market Risk" in Item 7A of Devon's 1999 Annual Report on Form 10-K is incorporated herein by reference. Such information includes a description of Devon's potential exposure to market risks, including commodity price risk, interest rate risk and foreign currency risk. As of March 31, 2000, there have been no material changes in Devon's market risk exposure from that disclosed in the 1999 Form 10-K.

Part II. Other Information

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

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

Exhibit
No.

2.1 Amended and Restated Agreement and Plan of Merger among Registrant, Devon Energy Corporation (Oklahoma) (formerly Devon Energy Corporation, an Oklahoma corporation), Devon Oklahoma Corporation and PennzEnergy Company dated as of May 19, 1999 (incorporated by reference to Exhibit 2.1 to Registrant's Form S- 4, File No. 333-82903).

2.2 Amended and Restated Combination Agreement between the Registrant and Northstar Energy Corporation dated as of June 29, 1998 (incorporated by reference to Annex B to Registrant's definitive proxy statement for a special meeting of shareholders, filed November 6, 1998).

3.1 Registrant's Restated Certificate of Incorporation (incorporated by reference to Exhibit 3 to Registrant's Form 8-K filed on August 18, 1999).

3.2 Registrant's Bylaws (incorporated by reference to Exhibit 3.3 to Registrant's Registration Statement on Form S-4, File No. 333-82903 as filed on July 15, 1999).

4.1 Form of Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Registrant's Form 8-K filed on August 18, 1999).

4.2 Rights Agreement dated as of August 17, 1999 between Registrant and BankBoston, N.A. (incorporated by reference to Exhibit 4.2 to Registrant's Form 8-K filed on August 18, 1999).

4.3 Certificate of Designations of Series A Junior Participating Preferred Stock of Registrant (incorporated by reference to Exhibit 4.3 to Registrant's Form 8-K filed on August 18, 1999).

4.4 Certificate of Designations of the 6.49% Cumulative Preferred Stock, Series A of Registrant (incorporated by reference to Exhibit 4.4 to Registrant's Form 8-K filed on August 18, 1999).

4.5 Description of Capital Stock of Registrant (incorporated by reference to Exhibit 4.9 to Registrant's Form 8-K filed on August 18, 1999).

4.6 Indenture dated as of December 15, 1992 between Registrant (as successor by merger to PennzEnergy, as successor by merger to Pennzoil Company) and Texas Commerce Bank National Association, Trustee (incorporated by reference to Exhibit 4(o) to Pennzoil Company's Form 10-K filed on March 10, 1993 (SEC File No. 1- 5591)).

4.7 Third Supplemental Indenture dated as of August 3, 1998 to Indenture dated as of December 15, 1992 among Registrant (as successor by merger to PennzEnergy) and Chase Bank of Texas, National Association, setting forth the terms of the 4.90% Exchangeable Senior Debentures due August 15, 2008 (incorporated by reference to Exhibit 4(g) to PennzEnergy Company's 1998 Form 10-K filed on March 23, 1999.)

4.8 Fourth Supplemental Indenture dated as of August 3, 1998 to Indenture dated as of December 15, 1992 among Registrant (as successor by merger to PennzEnergy) and Chase Bank of Texas, National Association, setting forth the terms of the 4.95% Exchangeable Senior Debentures due August 15, 2008 (incorporated by reference to Exhibit 4(g) to PennzEnergy Company's 1998 Form 10-K filed on March 23, 1999.)

4.9 Fifth Supplemental Indenture dated as of August 17, 1999 to Indenture dated as of December 15, 1992 among Registrant (as successor by merger to PennzEnergy) and Chase Bank of Texas, National Association (incorporated by reference to Exhibit 4.7 to Registrant's Form 8-K filed on August 18, 1999).

4.10 Indenture dated as of February 15, 1986 among Registrant (as successor by merger to PennzEnergy) and Chase Bank of Texas, National Association (incorporated by reference to Exhibit 4(a) to Pennzoil Company's Form 10-Q filed on July 31, 1986 (SEC File No. 1-5591).

4.11 First Supplemental Indenture dated as of August 17, 1999 to Indenture dated as of February 15, 1986 among Registrant (as successor by merger to PennzEnergy) and Chase Bank of Texas, National Association (incorporated by reference to Exhibit 4.8 to Registrant's Form 8-K filed on August 18, 1999).

4.12 Second Supplemental Indenture dated as of August 17, 1999 to Indenture dated as of July 3, 1996 among the Registrant and The Bank of New York, as Trustee and the First Supplemental Indenture dated as of July 3, 1996 between the Registrant (as successor by merger to PennzEnergy) and The Bank of New York, as Trustee, relating to the issuance of 6.5% Trust Convertible Preferred Junior Subordinated Debentures (incorporated by reference to Exhibit 4.6 to Registrant's Form 8-K filed on August 18, 1999).

4.13 Amending Support Agreement dated as of August 17, 1999 between Registrant and Northstar Energy Corporation (incorporated by reference to Exhibit 4.5 to Registrant's Form 8-K filed on August 18, 1999).

4.14 Support Agreement, dated December 10, 1998, between the Registrant and Northstar Energy Corporation (incorporated by reference to Exhibit 4.1 to Devon Energy Corporation (Oklahoma)'s (predecessor of Registrant) Form 8-K dated as of December 11, 1998).

4.15 Registration Rights Agreement, dated December 31, 1996, by and between Registrant and Kerr-McGee Corporation (incorporated by reference to Exhibit 4.4 to Devon Energy Corporation (Oklahoma)'s (predecessor of Registrant) Form 8-K filed on January 14, 1997).

4.16 Exchangeable Share Provisions (incorporated by reference to Exhibit 4.2 to Devon Energy Corporation (Oklahoma)'s (predecessor of Registrant) Form 8-K filed on December 23, 1998).

4.17 Amended Exchangeable Share Provisions dated as of August 17, 1999.

27 Financial Data Schedule (filed electronically only)

(b) Reports on Form 8-K - A Current Report on Form 8-K dated January 26, 2000, was filed by the Registrant regarding year-end 1999 oil and gas reserves and 2000 forward-looking information.

SIGNATURES

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

DEVON ENERGY CORPORATION

Date: May 11, 2000	*/s/Danny J. Heatly* *Danny J. Heatly* *Vice President - Accounting*

INDEX TO EXHIBITS

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27 Financial Data Schedule (filed electronically only)

* Incorporated by reference.

ARTICLE 5

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD END	MAR 31 2000
CASH	49788
SECURITIES	0
RECEIVABLES	228290
ALLOWANCES	0
INVENTORY	14787
CURRENT ASSETS	313563
PP&E	5079686
DEPRECIATION	1917742
TOTAL ASSETS	4561157
CURRENT LIABILITIES	245141
BONDS	1602317
PREFERRED MANDATORY	0652
PREFERRED	1500
COMMON	8652
OTHER SE	2105683
TOTAL LIABILITY AND EQUITY	4561157
SALES	336346
TOTAL REVENUES	347711
CGS	0
TOTAL COSTS	0
OTHER EXPENSES	76313
LOSS PROVISION	0
INTEREST EXPENSE	25276
INCOME PRETAX	108180
INCOME TAX	47093
INCOME CONTINUING	61087
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	61087
EPS BASIC	0.68
EPS DILUTED	0.67

End of Filing