DEVON ENERGY CORP /OK/

FORM 10-Q
(Quarterly Report)

Filed 05/11/95 for the Period Ending 03/31/95

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

DEVON ENERGY CORP /OK/

FORM 10-Q
(Quarterly Report)

Filed 5/11/1995 For Period Ending 3/31/1995

Address	20 N BROADWAY STE 1500
	OKLAHOMA CITY, Oklahoma 73102-8260
Telephone	405-235-3611
CIK	0000837330
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, 1995

OR

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

Commission File No. 1-10067

DEVON ENERGY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

```
       Delaware                              73-1333969
   (State or Other Jurisdiction of
          (I.R.S. Employer
   Incorporation or Organization)
    Identification Number)
    20 N. Broadway, Suite 1500
     Oklahoma City, Oklahoma
             73102
(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 May 10, 1995, was 22,050,996.

1 of 27 total pages (Exhibit Index is found at page 25)

DEVON ENERGY CORPORATION

Index to Form 10-Q Quarterly Report

to the Securities and Exchange Commission

Page No. Part I. Financial Information

Item 1. Consolidated Financial Statements

DEVON ENERGY CORPORATION

Part I. Financial Information

Item 1. Consolidated Financial Statements March 31, 1995 and 1994

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

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets

	March 31, 1995 (Unaudited)	December 31, 1994
Assets		
Current assets:		
Cash and cash equivalents	$ 15,625,621	8,336,371
Accounts receivable	12,434,948	15,626,799
Inventories	534,697	534,326
Prepaid expenses	1,092,253	564,371
Deferred income taxes	262,000	262,000
Total current assets	29,949,519	25,323,867
Property and equipment, at cost, based on the full cost method of accounting for oil and gas properties	537,840,166	523,941,141
Less: Accumulated depreciation, depletion and amortization	211,905,804	202,634,961
	325,934,362	321,306,180
Other assets	4,738,124	4,817,489
Total assets	$360,622,005	351,447,536
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable:		
Trade	3,638,578	6,394,897
Revenues and royalties due to others	8,733,415	7,398,199
Accrued expenses	2,366,426	3,225,493
Total current liabilities	14,738,419	17,018,589
Revenues and royalties due to others	1,383,135	1,383,135
Deposits (Note 3)	11,175,936	-
Long-term debt	94,000,000	98,000,000
Deferred revenue (Note 3)	4,499,378	1,299,947
Deferred income taxes	28,054,000	27,340,000
Stockholders' equity:		
Preferred stock of $1.00 par value. Authorized 3,000,000 shares; none issued	-	-
Common stock of $.10 par value. Authorized 120,000,000 shares; issued 22,050,996 in 1995 and 1994	2,205,100	2,205,100
Additional paid-in capital	166,654,305	166,654,305
Retained earnings	37,911,732	37,546,460
Total stockholders' equity	206,771,137	206,405,865
Total liabilities and stockholders' equity	$360,622,005	351,447,536

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations

	Three Months Ended March 31, 1995 (Unaudited)	Three Months Ended March 31, 1994 (Unaudited)
Revenues		
Gas sales	$ 9,900,005	17,508,988
Oil sales	11,989,301	7,380,751
Natural gas liquids sales	1,630,262	888,565
Other	242,759	365,977
Total revenues	23,762,327	26,144,281
Costs and expenses		
Production and operating expenses	8,441,777	7,589,220
Depreciation, depletion and amortization	9,459,252	8,121,774
General and administrative expenses	2,336,770	2,051,427
Interest expense	1,783,726	992,886
Total costs and expenses	22,021,525	18,755,307
Earnings before income taxes	1,740,802	7,388,974
Income tax expense		
Current	-	295,000
Deferred	714,000	2,217,000
Total income tax expense	714,000	2,512,000
Net earnings	$ 1,026,802	4,876,974
Net earnings per average common share outstanding	$0.05	0.23
Weighted average common shares outstanding	22,050,996	20,843,967

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity

	Three Months Ended March 31, 1995 (Unaudited)	Three Months Ended March 31, 1994 (Unaudited)
Common stock		
Balance, beginning of period	$ 2,205,100	2,084,232
Par value of common shares issued	-	280
Balance, end of period	2,205,100	2,084,512
Additional paid-in capital		
Balance, beginning of period	166,654,305	144,403,743
Common shares issued	-	28,545
Balance, end of period	166,654,305	144,432,288
Retained earnings		
Balance, beginning of period	37,546,460	26,411,572
Dividends on common stock	(661,530)	(625,354)
Net earnings	1,026,802	4,876,974
Balance, end of period	37,911,732	30,663,192
Total stockholders' equity, end of period	$206,771,137	177,179,992

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Three Months Ended March 31, 1995 (Unaudited)	1994
Cash flows from operating activities		
Net earnings	$1,026,802	4,876,974
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, depletion and amortization	9,459,252	8,121,774
(Gain) loss on sale of assets	(8,907)	238
Deferred income taxes	714,000	2,217,000
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	2,982,357	(49,093)
Inventories	(371)	148,422
Prepaid expenses	(527,882)	(634,549)
Other assets	628,860	(868,652)
Increase (decrease) in:		
Accounts payable	970,381	(1,983,239)
Income taxes payable	-	25,842
Accrued expenses	(859,067)	(741,682)
Deferred revenue (Note 3)	3,199,431	(46,636)
Net cash provided by operating activities	17,584,856	11,066,399
Cash flows from investing activities		
Proceeds from sale of property and equipment	1,167,037	48,283
Increase in deposits (Note 3)	11,175,936	-
Capital expenditures	(15,585,565)	(10,189,403)
Payments made for acquisitions of business (Note 2)	(2,391,484)	(9,283,543)
Net cash provided by (used in) investing activities	(5,634,076)	(19,424,663)
Cash flows from financing activities		
Proceeds from borrowings on revolving lines of credit	2,000,000	8,500,000
Principal payments on revolving line of credit	(6,000,000)	(4,500,000)
Issuance of common stock	-	28,825
Dividends paid on common stock	(661,530)	(625,354)
Net cash provided (used) by financing activities	(4,661,530)	3,403,471
Net increase (decrease) in cash	7,289,250	(4,954,793)
Cash and cash equivalents at beginning of period	8,336,371	19,550,288
Cash and cash equivalents at end of period	$15,625,621	14,595,495

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying consolidated financial statements and notes thereto have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, certain footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such rules and regulations. The accompanying consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements and notes included in Devon's 1994 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, 1995, and the results of their operations and their cash flows for the three month periods ended March 31, 1995 and 1994.

2. Acquisition

On May 18, 1994, Devon acquired Alta Energy Corporation ("Alta") via a merger between the two companies (the "Merger"). The accompanying consolidated statements of cash flows include cash payments related to the Merger in both the three month periods ended March 31, 1995 and 1994. The $9.3 million of cash payments in the first quarter of 1994 represent payments made prior to the consummation of the Merger. These payments included $3.0 million for the purchase of Alta common and preferred stock, $3.5 million paid to acquire certain of Alta's debt from its creditors, and $2.8 million loaned to Alta. In addition to these payments, Devon eventually paid an additional $33.1 million and issued approximately 1,168,000 shares of its common stock by the end of 1994.

Subsequently, in February 1995, Devon paid an additional $2.4 million to the former Alta stockholders. This payment, in accordance with the Merger agreement, was based upon the evaluation of a well completed by Alta during the first half of 1994.

3. Contingent Transaction

In early 1995, Devon and an unrelated entity entered into a transaction covering substantially all of Devon's San Juan Basin gas properties. However, the transaction is subject to a material unresolved contingency and a confidentiality agreement. Until the contingency is resolved, Devon is deferring the recognition of the operating statement impact from the transaction. The pro forma information at the end of this note presents the potential impact on Devon's operating statement from this contingent transaction.

As of March 31, 1995, Devon had received $14.4 million under the terms of the transaction. Since the entire $14.4 million is refundable, these funds are recorded as liabilities in the accompanying March 31, 1995 consolidated balance sheet, pending the resolution of the contingency. Approximately $3.2 million of the total received to date will be recorded as revenues if the contingency is favorably resolved. This amount is included in deferred revenues in the March 31, 1995 balance sheet. The remaining $11.2 million will affect only the balance sheet upon a favorable resolution, and is recorded as deposits in the accompanying balance sheet.

The contingency should be resolved by year-end 1995. Upon a favorable resolution of the contingency, the cumulative unrecorded effects of the transaction will be recorded, starting from the January 1, 1995 effective date. Also, Devon will have either consumed, or otherwise will no longer have available, a substantial portion of the income tax benefits it currently possesses. If the resolution is unfavorable, Devon will return the cash received, thereby liquidating the liabilities, and its results of operations will not be affected.

Though the $14.4 million which has been received through March 31, 1995, is refundable pending the resolution of the contingency, Devon's use of the funds is not restricted. However, to secure the possible repayment of the cash it receives under the terms of the transaction, Devon has established a letter of credit in favor of the other entity which expires no later than December 29, 1995. The amount of the letter of credit increases throughout 1995, to a maximum of $20 million, based upon the expected timing of Devon's cash receipts. As of March 31, 1995, the letter of credit was $15 million. Devon's available borrowings under its credit lines are restricted by the amount of the letter of credit. See Note 4.

Assuming that the transaction had been effective as of the beginning of each period presented below, and was not subject to the contingency, Devon's pro forma results for the three months ended March 31, 1995 and 1994 are as follows:

Pro Forma Effects Attributable to Contingent Transaction

	Pro Forma Three Months Ended March 31, 1995	1994
Revenues		
Gas sales	$12,600,000	19,900,000
Oil sales	12,000,000	7,400,000
Natural gas liquids sales	1,600,000	900,000
Other	300,000	300,000
Total revenues	26,500,000	28,500,000
Costs and expenses		
Production and operating expenses	8,400,000	7,500,000
Depreciation, depletion and amortization	9,100,000	7,800,000
General and administrative expenses	2,300,000	2,000,000
Interest expense	1,800,000	900,000
Total costs and expenses	21,600,000	18,200,000
Earnings before income taxes	4,900,000	10,300,000
Income tax expense		
Current	900,000	1,200,000
Deferred	1,200,000	2,400,000
Total income tax expense	2,100,000	3,600,000
Net earnings	$ 2,800,000	6,700,000
Net earnings per average common share outstanding	$0.13	0.32

4. Amendment of Credit Agreement

On January 27, 1995, Devon's credit agreements were amended primarily to allow for the establishment of letters of credit as discussed in Note 3. In an unrelated event, in March 1995, the total amount of borrowings allowed under Devon's credit lines was revised downward from $225 million to $205 million. As of March 31, 1995, there was $94 million of debt borrowed under the credit lines. Including the effect of the $15 million restriction from the letter of credit discussed in Note 3, Devon had $96 million available for future borrowings under its credit lines as of March 31, 1995.

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, 1995, compared to the three months ended March 31, 1994, and in financial condition since December 31, 1994. It is presumed that readers have read or have access to Devon's 1994 annual report on Form 10-K.

Overview

Devon produced record quantities of oil, and record quantities of gas, oil and NGLs on a combined equivalent unit basis, in the first quarter of 1995. These production levels were attained because of the properties which were added through a substantial acquisition in the second quarter of 1994. Also on the positive side were increases in both oil and NGL prices. First quarter 1995 prices for these products were at the highest level since the second quarter of 1993. Unfortunately, the gains achieved in oil and NGL revenues were overshadowed by the negative impact of natural gas prices, and total revenues dropped by $2.4 million, or 9%, in the first quarter of 1995. First quarter 1995 gas prices continued their downward trend which began following the first quarter of 1994. Since averaging $1.70 per Mcf in the first quarter of 1994, gas prices have dropped in each of the following quarters by $0.20, $0.19, $0.10 and $0.22. At $0.99 per Mcf, the average price for the first quarter of 1995 was the lowest average price for any quarter in Devon's seven year history as a public company.

Cash expenses rose by $1.6 million in the first quarter of 1995, primarily due to the aforementioned acquisition in 1994 and the impact of higher interest rates. The properties acquired in the acquisition added $1.0 million of production and operating expenses. Also, the interest rate on Devon's credit lines increased 150 basis points in 1995, which accounted for $0.6 million of the $0.8 million increase in interest expense. The increase in cash expenses, combined with the drop in revenues, caused the corporate cash margin to decrease from $15.2 million in 1994 to $11.2 million in 1995. Despite the reduced cash margin, Devon was able to finance $18.0 million of capital expenditures, and at the same time reduce long-term debt by $4.0 million and increase cash on hand by $7.3 million during the first quarter of 1995. This was accomplished due to $14.4 million which was received under the terms of a contingent transaction. See note 3 to the consolidated financial statements in Part 1, Item 1 of this report, and "Capital Expenditures, Capital Resources and Liquidity - Capital Resources and Liquidity" in this section of the report.

Non-cash expenses dropped slightly from $10.3 million in 1994 to $10.2 million in 1995. Depreciation, depletion and amortization expense increased by $1.3 million due to increases in both the per unit rate and the volumes of gas, oil and NGLs produced. The other non-cash expense, deferred income taxes, declined by $1.5 million due to the drop in pre-tax earnings in 1995.

As a result of the decline in cash margin and only a slight reduction in non-cash expenses, net earnings decreased from $4.9 million, or $0.23 per share, in the first quarter of 1994 to $1.0 million, or $0.05 per share, in 1995's first quarter.

Results of Operations

Oil, gas and NGL revenues were down 9% for the quarter ended March 31, 1995. The relative contributions of production and price changes are shown below.

		Three Months Ended March 31,		
		1995	1994	Change
	Production			
	Gas (Mcf)	9,981,301	10,296,628	-3%
	Oil (Bbls)	718,244	580,741	+24%
<F1>				
	NGL (Boe)1	138,689	108,017	+28%
<F1>				
	Oil, Gas and NGL (EMcf)1	15,122,899	14,429,176	+5%
	Revenues			
	Gas	$ 9,900,005	17,508,988	-43%
	Oil	11,989,301	7,380,751	+62%
	NGL	1,630,262	888,565	+83%
	Combined	$23,519,568	25,778,304	-9%
	Average Prices			
	Gas (Per Mcf)	$ 0.99	1.70	-42%
	Oil (Per Bbl)	$16.69	12.71	+31%
<F1>				
	NGL (Per Boe)1	$11.75	8.23	+43%
<F1>				
	Oil, Gas and NGL (Per EMcf)1	$ 1.56	1.79	-13%

<F1>
1 NGL is converted to barrels of oil equivalent ("Boe") at the rate of 42 gallons of liquids per barrel of oil. Oil and NGL are converted to equivalent thousand cubic feet ("EMcf") at the rate of six EMcf per barrel of oil (or Boe of NGL). These conversions are based upon the approximate relative energy content of natural gas, oil and NGL, 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.

Gas Revenues. Gas revenues declined by $7.6 million, or 43%, in the first quarter of 1995. The average price dropped by $0.71 per Mcf, or 42%, in the first quarter of 1995. This price decline subtracted $7.1 million of gas revenues in the 1995 period. Also, declines in production of 0.3 Bcf, or 3%, caused a $0.5 million drop in gas revenues.

Coal seam gas production dropped slightly, from
6.0 Bcf in 1994 to 5.9 Bcf in 1995. Conventional gas production also declined from 4.3 Bcf in 1994 to 4.1 Bcf in 1995. Conventional gas production in 1995 benefitted from the addition of the Merger Properties, which produced 0.2 Bcf of gas in the first quarter. This was offset, however, by a 0.2 Bcf reduction due to properties which were sold subsequent to the first quarter of 1994, and a 0.2 Bcf net reduction in all other conventional production.

Coal seam gas averaged $0.75 per Mcf in 1995, or 49% lower than the $1.48 per Mcf price received in 1994. The average price for conventional gas production was $1.33 per Mcf in 1995, a 33% reduction from the $2.00 per Mcf received in 1994. The price per Mcf for coal seam gas is less than Devon's conventional gas (i.e., gas produced from other than coal formations) due to the former's low Btu content and the cost of removing carbon dioxide. These adjustments have been taken into account in calculating the coal seam gas sales prices referred to above.

Oil Revenues. Oil revenues increased by 62% from $7.4 million in the first quarter of 1994 to $12.0 million in the first quarter of 1995. Production gains of 138,000 barrels, or 24%, added $1.7 million of oil revenues in the 1995 period. Also, the average oil price increased by $3.98 per barrel, or 31%, in 1995. This price increase added $2.9 million to 1995's oil revenues.

The primary contributor to the increased oil production was the added production from the oil properties acquired in the May 1994 Merger (the "Merger Properties"). The Merger Properties added approximately 139,000 barrels of production during the first quarter of 1995.

NGL Revenues. NGL revenues increased by 83% from $0.9 million in the first quarter of 1994 to $1.6 million in the first quarter of 1995. Production increased in 1995 by 31,000 Boe, or 28%, which added $0.2 million to NGL revenues. The Merger Properties contributed 14,000 Boe of the total increase in 1995. Also, the average price increased by $3.52 per Boe, or 43%, in 1995. This price increase added $0.5 million to NGL revenues in 1995.

Production and Operating Expenses. Production and operating expenses were up 11% in the first quarter of 1995 as shown in the table below.

		Three Months Ended March 31, 1995	1994	Change
Absolute				
	Recurring operations and maintenance expenses	$5,589,991	5,139,036	+9%
	Well workover expenses	1,175,330	536,265	+119%
	Production taxes	1,676,456	1,913,919	-12%
	Total production and operating expenses	$8,441,777	7,589,220	+11%
Per EMcf				
	Recurring operations and maintenance expenses	$0.37	0.36	+3%
	Well workover expenses	0.08	0.04	+100%
	Production taxes	0.11	0.13	-15%
	Total production and operating expenses	$0.56	0.53	+6%

Recurring operations and maintenance expenses increased in the first quarter of 1995 primarily due to the additional expenses incurred on the Merger Properties acquired in the second quarter of 1994. The Merger Properties added $0.7 million of such expenses in the first quarter of 1995. Recurring expenses on Devon's properties other than the Merger Properties declined by $0.2 million, or 5%, in the first quarter of 1995.

The Merger Properties are primarily oil producing properties, which are traditionally more expensive to operate than gas producing properties. The per unit rate of the Merger Properties' recurring expenses in 1995 was $0.61 per EMcf, compared to the rate of $0.35 per EMcf for the recurring expenses of all other properties.

Well workover expenses increased by substantial margins both on an absolute and a per unit basis. This is a trend that should continue throughout 1995, as workover expenses are expected to almost double 1994's yearly total of $2.9

million. The expenses incurred in the first quarter of 1995 related to projects to increase production from certain wells as well as routine repairs.

Depreciation, Depletion and Amortization Expenses ("DD&A"). Oil and gas property related DD&A increased $1.3 million, or 17%, from $7.8 million in the first quarter of 1994 to $9.1 million in the first quarter of 1995. The primary cause of the DD&A increase was the increase in the DD&A rate per EMcf. The DD&A rate in 1994's first quarter was $0.54 per EMcf. Primarily due to the effect of the acquisition of the Merger Properties, the DD&A rate rose to $0.60 in 1995's first quarter.

General and Administrative Expenses ("G&A"). G&A increased $0.3 million, or 14%, in the first quarter of 1995 compared to the same period of 1994. Personnel expenses, including salary, pension and insurance expenses, increased $0.4 million, or 21%, in the 1995 period. While salary expenses rose by only 9% in the 1995 quarter, pension expense was up by 62% and insurance expense increased by 17%. These increases were partially offset by higher overhead reimbursements. Devon receives an overhead reimbursement on the wells for which it serves as the operator. Such reimbursements, which reduce net G&A, increased $0.2 million in the 1995 quarter due primarily to the increased number of wells which Devon now operates.

Interest Expense. Interest expense increased $0.8 million, or 80%, in the first quarter of 1995. Higher interest rates caused $0.6 million of the increase. The annualized interest rate on the debt outstanding during 1995's first quarter was 6.7%, compared to 4.2% during the first quarter of 1994. The overall average interest rate (including the effect of various fees paid to the banks and the amortization of certain loan costs) during 1995 was 7.5%, compared to an overall rate in the first quarter of 1994 of 4.9%. An increase in the average debt balance caused interest expense to rise by $0.2 million in 1995. The average debt balance outstanding during the first quarter of 1995 was $94.8 million, or 18% higher than the $80.5 million average balance during the first quarter of 1994. The increase in the average balance was primarily caused by borrowings to fund a portion of the Merger.

Income Taxes. During interim periods, income tax expense is based on the estimated effective tax rate which is expected for the entire fiscal year. The estimated effective tax rate in the first quarter of 1995 was 41%, compared to 34% in the first quarter of 1994. The increase in the 1995 rate is primarily due to the effect of certain financial deductions for DD&A which are not allowed for income tax purposes due to the tax free nature of the Merger. Also, although the estimated 1994 income tax rate used in preparing the first quarter 1994 consolidated financial statements was 34%, the rate for the entire year of 1994 was actually 36%. The effect of this change in the estimated income tax rate was recorded in the fourth quarter of 1994.

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

Approximately $13.1 million of deferred tax assets were included in the deferred tax liability as of March 31, 1995. Over 90% of such assets related to the tax benefits expected from the future utilization of net operating loss carryforwards, statutory depletion carryforwards, investment tax credit carryforwards and minimum tax credit carryforwards. To assess the likelihood of realizing tax benefits from the future utilization of these carryforwards, management considered four primary factors: (1) estimates of future yearly taxable income which Devon is expected to generate; (2) the level of future taxable income necessary to utilize the carryforwards; (3) the expiration dates, if any, of such carryforwards, and (4) certain limitations on the annual utilization of the carryforwards as set forth by federal tax regulations.

Based upon current estimates of future production and average prices, management believes that taxable income during the carryforward periods will be sufficient to utilize substantially all of the carryforwards currently available. The tax benefit from net operating loss and investment tax credit carryforwards, which totals approximately $6.9 million, is expected to be realized between 1995 and 2002. This is well before the 2006 expiration date for the majority of such benefits. The remaining $6.2 million of tax benefits consist primarily of statutory depletion and minimum tax credit carryforwards. These carryforwards do not have expiration dates, and are therefore available to reduce taxes in any future year. However, based upon limitations imposed on the utilization of certain of the depletion carryforwards acquired in the Merger, a $100,000 valuation allowance was recorded at the time of the Merger. No changes in this valuation allowance have occurred through March 31, 1995.

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 1995 and beyond. Significant changes in such estimates from variables such as future oil and gas prices or capital expenditures could alter the timing of the eventual utilization of such assets. There can be no assurance that Devon will generate any specific level of continuing taxable earnings.

Capital Expenditures, Capital Resources and Liquidity

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

Capital Expenditures. Cash used for capital expenditures increased 53% from $10.2 million in the first quarter of 1994 to $15.6 million in the first quarter of 1995. Approximately $14.4 million was spent in 1995 on exploration and development efforts, compared to $9.3 million spent in the first quarter of 1994 for such efforts. Approximately $12.4 million of 1995's total expenditures related to the drilling and development of the Grayburg-Jackson Field which was acquired in the Merger.

Cash Used in the Merger with Alta Energy Corporation. The Merger was consummated in the second quarter of 1994. However, Devon incurred Merger-related costs both prior to the Merger in the first quarter of 1994, and subsequent to the Merger in the first quarter of 1995. Approximately $9.3 million of cash was used in the first quarter of 1994, including $3.0 million to purchase Alta common and preferred stock, $3.5 million to acquire certain of Alta's debt from its creditors, and $2.8 million loaned to Alta.

Subsequently, in February 1995, Devon paid an additional $2.4 million to the former Alta stockholders. This payment, in accordance with the Merger agreement, was based upon the evaluation of a well completed by Alta during the first half of 1994.

Capital Resources and Liquidity. Net cash provided by operating activities continued to be a primary source of capital and liquidity in the first quarter of 1995. Net cash provided by operating activities increased by 59% from $11.1 million in the first quarter of 1994 to $17.6 million in the first quarter of 1995.

Included in 1995's net cash provided by operating activities was $3.2 million received in March 1995 pursuant to a transaction entered into in early 1995 between Devon and an unrelated entity. The transaction, which covers substantially all of Devon's San Juan Basin gas properties, could have a significant and very positive financial impact on Devon. However, the transaction is subject to a material unresolved contingency and a confidentiality agreement. Until the contingency is resolved, Devon is deferring the recognition of the operating statement impact from the transaction.

In addition to the $3.2 million received in March 1995, Devon has also received $11.2 million which will affect only the balance sheet if the contingency is favorably resolved. Since the entire $14.4 million received to date is refundable, these funds are recorded as liabilities in the accompanying March 31, 1995 consolidated balance sheet, pending the resolution of the contingency.

The contingency should be resolved by year-end 1995. Upon a favorable resolution of the contingency, the cumulative unrecorded effects of the transaction will be recorded, starting from the January 1, 1995 effective date. Also, Devon will have either consumed, or otherwise will no longer have available, a substantial portion of the income tax benefits it currently possesses. If the resolution is unfavorable, Devon will return the cash received, thereby liquidating the liability, and its results of operations will not be affected.

If the contingency is resolved favorably, the transaction could have a significant effect on Devon's 1995 results of operations and liquidity. Devon estimates that the transaction could add between $6.5 million to $7.5 million to its net earnings for the year 1995, an impact of $0.29 to $0.34 per common share. Net cash provided by operating activities for the year 1995 could also be boosted by $5.5 million to $6.5 million, of which $3.2 million was received in the first quarter. A disproportionate percentage was recognized in the first quarter because none of the $5.2 million of additional income tax payments which are estimated to be due as a result of the transaction were required to be paid in the first quarter. Such payments will be required during the last three quarters of the year.

Though the $14.4 million which has been received through March 31, 1995, is refundable pending the resolution of the contingency, Devon's use of the funds is not restricted. However, to secure the possible repayment of the cash it receives under the terms of the transaction, Devon has established a letter of credit in favor of the other entity which expires no later than December 29, 1995. The amount of the letter of credit increases throughout 1995, to a maximum of $20 million, based upon the expected timing of Devon's cash receipts. As of March 31, 1995, the letter of credit was $15 million. Devon's available borrowings under its credits lines are restricted by the amount of the letter of credit.

Unrelated to the $15 million letter of credit restriction discussed above, the total amount of borrowings available under Devon's credit lines was also decreased from $225 million to $205 million in March 1995. However, even after these events, Devon had $96 million in future borrowing availability as of March 31, 1995. Currently, the capital resources available from operating activities and credit lines are more than adequate to cover Devon's known capital requirements.

Part II. Other Information

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

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

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

4.1 Registrant's Certificate of Incorporation, as amended [incorporated by reference to Exhibit 3 to Amendment No. 3 to Registrant's Registration Statement on Form S-2 (No. 33-46792)].

4.2 Registrant's Bylaws [incorporated by reference to Exhibit 3.2 to Registrant's Registration Statement on Form S-4 (No. 33-23564)].

4.3 Form of Common Stock Certificate (incorporated herein by reference to Exhibit 4.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994).

4.4 Rights Agreement between Devon Energy Corporation, a Delaware corporation, and MTrust Corp., National Association (incorporated herein by reference to Exhibit 10.3 to Registrant's Registration Statement on Form 8-B).

4.5 Change of Rights Agent by and between Devon Energy Corporation, a Delaware corporation, Society National Bank, formerly known as MTrust Corp., National Association and First National Bank of Boston (Massachusetts) effective as of April 19, 1994 (incorporated herein by reference to Exhibit 4.5 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994).

10.1 Credit Agreement dated October 7, 1994, among Devon Energy Corporation (Nevada), as Borrower, the Registrant and Devon Energy Operating Corporation, as Guarantors, NationsBank of Texas, N.A., as Agent, and NationsBank of Texas, N.A., Bank One, Texas, N.A., Bank of Montreal, and First Union National Bank of North Carolina, as Lenders (incorporated herein by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994).

10.2 First Amendment, dated January 27, 1995, to Credit Agreement among Devon Energy Corporation (Nevada), as Borrower, the Registrant and Devon Energy Operating Corporation, as Guarantors, NationsBank of Texas, N.A., as Agent, and NationsBank of Texas, N.A., Bank One, Texas, N.A., Bank of Montreal and First Union National Bank of North Carolina, as Lenders (incorporated herein by reference to Exhibit 10.2 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1994).

10.3 Devon Energy Corporation [a Delaware corporation] 1988 Stock Option Plan
[incorporated herein 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 herein by reference to Exhibit A to Registrant's Proxy Statement for the 1993 Annual Meeting of Shareholders).*

10.5 Sale and Purchase Agreement by and between Fina Oil and Chemical Company, a Delaware corporation and Devon Energy Corporation (Nevada), a Nevada corporation (incorporated herein by reference to Exhibit 2 to Registrant's Current Report on Form 8 dated as of June 28, 1993).

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

10.8 Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. J. Michael Lacey, dated December 3, 1992 (incorporated herein 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).*

10.9 Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. H. Allen Turner, dated December 3, 1992 (incorporated herein 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).*

10.10Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. Darryl G. Smette, dated December 3, 1992 (incorporated herein 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).*

10.11Severance Agreement between Devon Energy Corporation (Nevada), Devon Energy Corporation (Delaware) and Mr. William T. Vaughn, dated December 3, 1992 (incorporated herein 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).*

10.12Stock Purchase Agreement dated December 22, 1993, between Registrant and John R. Fitzgerald (incorporated herein by reference to Exhibit 1 to Registrant's Schedule 13D dated as of December 22, 1993).

10.13Schedule identifying other Stock Purchase Agreements entered into by Registrant with certain holders of Alta Energy Corporation common stock (incorporated herein by reference to Exhibit 2 to Registrant's Schedule 13D dated as of December 22, 1993).

10.14Stock Purchase Agreement dated January 14, 1994, between GSS Investments Corp. [a wholly-owned subsidiary of Registrant] and Princor Growth Fund, Inc. (incorporated herein by reference to Exhibit 3 to Amendment No. 2 to Registrant's Schedule 13D dated as of January 7, 1994).

10.15Stock Purchase Agreement dated January 14, 1994, between Registrant and Andrew P. Carstensen, Jr. (incorporated herein by reference to Exhibit 4 to Amendment No. 2 to Registrant's Schedule 13D dated as of January 7, 1994).

11 Computation of earnings per share

(b) Reports on Form 8-K

No reports on Form 8-K have been filed during the three months ended March 31, 1995.

* Compensatory plans or arrangements.

SIGNATURES

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

DEVON ENERGY CORPORATION

Date: May 10, 1995 */s/William T. Vaughn*

William T. Vaughn
Vice President - Finance

EXHIBIT INDEX

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11 Computation of earnings per share 27

* Incorporated by reference.

Exhibit 11

DEVON ENERGY CORPORATION
Computation of Earnings Per Share

	Three Months Ended March 31, 1995	1994
PRIMARY EARNINGS PER SHARE		
Computation for Statement of Operations		
Net earnings per statement of operations	$ 1,026,802	4,876,974
Weighted average common shares outstanding	22,050,996	20,843,967
Primary earnings per common share	$0.05	0.23
Additional Primary Computation (A)		
Net earnings per statement of operations	$ 1,026,802	4,876,974
Adjustments to weighted average common shares outstanding:		
Weighted average as shown above	22,050,996	20,843,967
Add dilutive effect of outstanding stock options (as determined using the treasury stock method)	95,383	129,307
Weighted average common shares outstanding, as adjusted	22,146,379	20,973,274
Net earnings per common share, as adjusted	$0.05	0.23
FULLY DILUTED EARNINGS PER SHARE (A)		
Net earnings per statement of operations	$ 1,026,802	4,876,974
Weighted average common shares outstanding as shown in primary computation above	22,050,996	20,843,967
Add fully dilutive effect of outstanding stock options (as determined using the treasury stock method)	111,854	129,307
Weighted average common shares outstanding, as adjusted	22,162,850	20,973,274
Fully diluted earnings per common share	$0.05	0.23

(A) These calculations are submitted in accordance with Regulation S-K item 601(b)(11) although not required by footnote 2 to paragraph 14 of APB Opinion No. 15 because they result in dilution of less than 3%.

ARTICLE 5

PERIOD TYPE	3 MOS
FISCAL YEAR END	DEC 31 1995
PERIOD END	MAR 31 1995
CASH	15625621
SECURITIES	0
RECEIVABLES	12634948
ALLOWANCES	200000
INVENTORY	534697
CURRENT ASSETS	29949519
PP&E	537840166
DEPRECIATION	211905804
TOTAL ASSETS	360622005
CURRENT LIABILITIES	14738419
BONDS	94000000
COMMON	2205100
PREFERRED MANDATORY	0
PREFERRED	0
OTHER SE	204566037
TOTAL LIABILITY AND EQUITY	360622005
SALES	23519568
TOTAL REVENUES	23762327
CGS	0
TOTAL COSTS	0
OTHER EXPENSES	8441777
LOSS PROVISION	0
INTEREST EXPENSE	1783726
INCOME PRETAX	1740802
INCOME TAX	714000
INCOME CONTINUING	1026802
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	1026802
EPS PRIMARY	0.05
EPS DILUTED	0.05

End of Filing