DEVON ENERGY CORP/DE

FORM 10-Q
(Quarterly Report)

Filed 08/11/00 for the Period Ending 06/30/00

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 8/11/2000 For Period Ending 6/30/2000

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 June 30, 2000

OR

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

Commission File No. 000-30176

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 July 31, 2000, was 87,015,045.

1 of 37 total pages

(Exhibit Index is found at page 36)

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 "NGL" means natural gas liquids

DEVON ENERGY CORPORATION

Part I. Financial Information

Item 1. Consolidated Financial Statements June 30, 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)

	June 30, 2000 (Unaudited)	December 31, 1999
Assets		
Current assets:		
Cash and cash equivalents	$ 298,971	167,167
Accounts receivable	296,605	209,405
Inventories	14,462	13,441
Deferred income taxes	4,886	4,886
Investments and other current assets	13,718	22,295
Total current assets	628,642	417,194
Property and equipment, at cost, based on the full cost method of accounting for oil and gas properties	5,189,889	4,974,810
Less accumulated depreciation, depletion and amortization	2,010,128	1,818,890
	3,179,761	3,155,920
Investment in Chevron Corporation common stock, at fair value	601,527	614,382
Goodwill, net of amortization	299,481	322,800
Other assets	118,525	112,864
Total assets	$4,827,936	4,623,160
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable:		
Trade	95,420	75,625
Revenues and royalties due to others	57,000	58,130
Income taxes payable	57,401	11,287
Accrued interest payable	22,359	26,270
PennzEnergy Company merger related expenses payable	23,780	32,504
Accrued expenses	16,585	23,628
Total current liabilities	272,545	227,444
Other liabilities	160,062	192,210
Debentures exchangeable into shares of Chevron Corporation common stock	760,313	760,313
Other long-term debt	1,025,514	1,026,808
Deferred income taxes	431,882	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 86,982,000 in 2000 and 86,085,000 in 1999	8,698	8,608
Additional paid-in capital	2,273,989	2,246,652
Accumulated deficit	(26,408)	(164,698)
Accumulated other comprehensive loss	(80,159)	(66,542)
Total stockholders' equity	2,177,620	2,025,520
Total liabilities and stockholders' equity	$4,827,936	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 June 30, 2000	Three Months Ended June 30, 1999	Six MonthsEnded June 30, 2000	Six MonthsEnded June 30, 1999
	(Unaudited)			
Revenues				
Oil sales	$148,249	36,871	293,793	64,784
Gas sales	210,754	59,387	366,286	112,938
Natural gas liquids sales	30,433	5,835	65,703	9,764
Other	11,407	2,219	22,772	4,092
Total revenues	400,843	104,312	748,554	191,578
Costs and expenses				
Lease operating expenses	70,794	27,100	136,687	54,520
Production taxes	11,370	3,446	21,790	6,415
Depreciation, depletion and amortization of property and equipment	113,151	35,763	221,703	69,321
Amortization of goodwill	10,361	--	20,693	--
General and administrative expenses	16,123	6,952	32,773	13,175
Interest expense	25,675	7,115	50,951	13,779
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	--	(5,585)	2,408	(8,746)
Distributions on preferred securities of subsidiary trust	--	2,430	--	4,859
Total costs and expenses	247,474	77,221	487,005	153,323
Earnings before income tax expense	153,369	27,091	261,549	38,255
Income tax expense				
Current	33,658	2,399	63,505	4,302
Deferred	28,977	8,483	46,223	11,764
Total income tax expense	62,635	10,882	109,728	16,066
Net earnings	90,734	16,209	151,821	22,189
Preferred stock dividends	2,434	--	4,868	--
Net earnings applicable to common shareholders	$ 88,300	16,209	146,953	22,189
Net earnings per average common share outstanding:				
Basic	$1.02	0.33	1.70	0.46
Diluted	$1.00	0.33	1.67	0.46
Weighted average common shares outstanding:				
Basic	86,756	48,679	86,481	48,575
Diluted	88,381	54,086	87,827	53,773

See accompanying notes to consolidated financial statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
	(Unaudited)			
Net earnings	$90,734	16,209	151,821	22,189
Other comprehensive earnings (loss), net of tax:				
Foreign currency translation adjustments	(5,420)	3,008	(5,775)	4,632
Unrealized gains (losses) on marketable securities	(32,989)	--	(7,842)	--
Comprehensive earnings	$52,325	19,217	138,204	26,821

See accompanying notes to consolidated financial statements.

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

	Six Months Ended June 30, 2000 (Unaudited)	1999
Cash flows from operating activities		
Net earnings	$ 151,821	22,189
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, depletion and amortization of property and equipment	221,703	69,321
Amortization of goodwill	20,693	--
Amortization of premiums on debentures	(1,932)	--
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	2,408	(8,746)
Loss (gain) on sale of assets	44	(33)
Deferred income taxes	46,223	11,764
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(88,384)	1,306
Inventories	(1,008)	154
Investments and other current assets	8,636	87
Other assets	673	(38)
Increase (decrease) in:		
Accounts payable	19,684	(7,897)
Income taxes payable	46,970	--
Accrued expenses	(20,513)	(802)
Long-term other liabilities	(25,476)	(1,394)
Net cash provided by operating activities	381,542	85,911
Cash flows from investing activities		
Proceeds from sale of property and equipment	42,664	4,906
Capital expenditures	(303,827)	(139,895)
Decrease in other assets	186	570
Net cash used in investing activities	(260,977)	(134,419)
Cash flows from financing activities		
Proceeds from borrowings on revolving lines of credit	610,696	538,014
Principal payments on revolving lines of credit	(727,112)	(501,072)
Principal payments on other long-term debt	(225,000)	--
Proceeds from issuance of convertible senior debentures, net of issuance costs	346,125	--
Issuance of common stock, net of issuance costs	27,426	10,152
Dividends paid on common stock	(8,663)	(4,862)
Dividends paid on preferred stock	(4,868)	--
(Decrease) increase in long-term other liabilities	(6,601)	1,049
Net cash provided by financing activities	12,003	43,281
Effect of exchange rate changes on cash	(764)	67
Net increase (decrease) in cash and cash equivalents	131,804	(5,160)
Cash and cash equivalents at beginning of period	167,167	19,154
Cash and cash equivalents at end of period	$298,971	13,994

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 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 June 30, 2000, and the results of their operations and their cash flows for the three-month and six-month periods ended June 30, 2000 and 1999.

2. Pending Merger

On May 26, 2000, Devon and Santa Fe Snyder Corporation ("Santa Fe Snyder") announced their intention to merge the two companies. In the merger, Santa Fe Snyder stockholders will receive 0.22 shares of Devon common stock for each share of Santa Fe Snyder common stock owned. The merger is subject to approval by the stockholders of both companies at separate meetings on August 29, 2000, as well as certain regulatory approvals. If approved, the merger is expected to be consummated shortly after the stockholder meetings. The merger will be accounted for under the pooling-of-interests method of accounting for business combinations as an acquisition of Santa Fe Snyder by Devon. Therefore, Devon's operating results for all prior and future periods will include the combined amounts of Devon and Santa Fe Snyder as if the two companies had always been combined.

Santa Fe Snyder's year-end 1999 proved oil and gas reserves totaled 386 million Boe, including 257 million Boe in the United States and 129 million Boe in other countries. Santa Fe Snyder's year-end 1999 undeveloped leasehold included 15.9 million net acres, including 1.2 million net acres in the United States and 14.7 million net acres internationally.

On July 21, 2000, Devon and Santa Fe Snyder filed definitive proxy materials concerning this pending merger. The proxy materials contain further disclosures regarding the merger and certain financial and operational data concerning both companies.

Pro Forma Information

Set forth below is certain unaudited pro forma financial information for the three-month and six-month periods ended June 30, 2000 and 1999. This information has been prepared under the pooling-of-interests method of accounting for business combinations, and as such, includes the results of both companies as if the two companies had always been combined. Santa Fe Snyder's historical financial data has been restated to conform to Devon's accounting policies. The pro forma information is presented for illustrative purposes only. If the merger had occurred in the past, the combined company's operating results might have been different from those presented in the following table. The pro forma information should not be relied upon as an indication of the operating results that the combined company would have achieved if the merger had occurred earlier. The pro forma information also should not be used as an indication of the future results that the combined company will achieve after the merger.

The following should be considered in connection with the pro forma financial information presented:

Devon merged with PennzEnergy Company ("PennzEnergy") on August 17, 1999. This merger was accounted for as a purchase. Accordingly, Devon's results for the second quarter and first six months of 1999 do not include any effects from the PennzEnergy merger.

Santa Fe Snyder was formed on May 5, 1999, as a result of the merger of Santa Fe Energy Resources, Inc. and Snyder Oil Corporation. This merger was accounted for as a purchase by Santa Fe of Snyder. Accordingly, Santa Fe Snyder's results for the second quarter and first six months of 1999 include the results of the Snyder merger for only two months.

Santa Fe Snyder's results for the second quarter of 1999 include $16.8 million of costs related to the Snyder merger.

In the second quarter of 1999, Santa Fe Snyder reduced the carrying value of its oil and gas properties by $463.8 million ($301.5 million after-tax), due to the full cost ceiling limitation.

	Pro Forma Information			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
	(Unaudited)			
Revenues				
Oil sales	$272,649	98,171	540,593	164,484
Gas sales	319,054	107,887	552,086	186,238
Natural gas liquids sales	33,533	7,935	70,903	13,564
Other	12,707	2,919	24,772	5,492
Total revenues	637,943	216,912	1,188,354	372,778
Costs and expenses				
Lease operating expenses	114,494	59,600	223,887	115,820
Production taxes	21,470	6,246	39,990	12,215
Depreciation, depletion and amortization of property and equipment	172,251	60,063	337,503	119,821
Amortization of goodwill	10,361	--	20,693	--
General and administrative expenses	24,023	15,452	48,873	26,775
Expenses related to prior merger	--	16,800	--	16,800
Interest expense	40,875	17,415	80,951	30,579
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	--	(5,585)	2,408	(8,746)
Distributions on preferred securities of subsidiary trust	--	2,430	--	4,859
Reduction of carrying value of oil and gas properties	--	463,800	--	463,800
Total costs and expenses	383,474	636,221	754,305	781,923
Earnings (loss) before income tax expense (benefit) and extraordinary item	254,469	(419,309)	434,049	(409,145)
Income tax expense (benefit)				
Current	36,358	1,799	72,505	4,402
Deferred	64,777	(138,817)	103,023	(137,836)
Total income tax expense (benefit)	101,135	(137,018)	175,528	(133,434)
Earnings (loss) before extraordinary item	153,334	(282,291)	258,521	(275,711)
Extraordinary item	--	(4,200)	--	(4,200)
Net earnings (loss)	153,334	(286,491)	258,521	(279,911)
Preferred stock dividends	2,434	--	4,868	--
Net earnings (loss) applicable to common shareholders	$150,900	(286,491)	253,653	(279,911)
Net earnings per average common share outstanding:				
Basic before extraordinary item	$1.19	(3.50)	2.00	(3.64)
Basic after extraordinary item	$1.19	(3.55)	2.00	(3.69)
Diluted before extraordinary item	$1.17	(3.50)	1.97	(3.64)
Diluted after extraordinary item	$1.17	(3.55)	1.97	(3.69)
Weighted average common shares outstanding - basic	126,994	80,645	126,675	75,833
Weighted average common shares outstanding - diluted	129,455	86,448	128,681	81,339
Production Data				
Oil (MBbls)	11,179	6,522	22,094	12,877
Gas (MMcf)	106,201	61,852	209,970	113,264
NGL (MBbls)	1,762	775	3,696	1,523
Mboe	30,641	17,605	60,785	33,277

3.
Long-Term Debt

In June 2000, Devon privately sold zero-coupon convertible senior debentures ("convertible debentures"). The convertible debentures were sold at a price of $464.13 per debenture with a yield to maturity of 3.875% per annum. Each debenture is convertible into 5.7593 shares of Devon common stock. Devon may call the bonds at any time after five years, and a shareholder has the right to require Devon to repurchase the bonds after five, 10 and 15 years, at the issue price plus accrued original issue discount and interest. The proceeds to the company were approximately $346.1 million, net of debt issuance costs of approximately $6.6 million. Devon used the proceeds from the sale of these convertible debentures to pay off its domestic credit facility and money market note borrowings. The remaining proceeds from the convertible debentures have been invested in short-term money market investments.

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 June 30, 2000, $25 million was outstanding under this note at an average interest rate of 6.92%. The balance was paid off at its maturity on July 7, 2000, with proceeds from the convertible debentures. Because Devon had the intent and ability to refinance the balance due with proceeds from its convertible debentures, the $25 million outstanding under the short-term note was classified as long-term debt on the June 30, 2000 consolidated balance sheet.

4. Earnings Per Share

The following tables reconcile the net earnings and common shares outstanding used in the calculations of basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2000 and the three-month period ended June 30, 1999. The diluted earnings per share calculation for the six months ended June 30, 1999, produced results that are anti- dilutive. This calculation increased net earnings by $3.0 million and increased the common shares outstanding 5.2 million shares.

	Net Earnings Applicable to Common Shareholders	Net Common Shares Outstanding	Earnings Per Share
	(In Thousands)		
Three Months Ended June 30, 2000:			
Basic earnings per share	$88,300	86,756	$1.02
Dilutive effect of:			
Potential common shares issuable upon conversion of senior convertible debentures (the increase in net earnings is net of income tax expense of $46,000)	71	192	
Potential common shares issuable upon the exercise of outstanding stock options	-	1,433	
Diluted earnings per share	$88,371	88,381	$1.00
Three Months Ended June 30, 1999:			
Basic earnings per share	$16,209	48,679	$0.33
Dilutive effect of:			
Potential common shares issuable upon conversion of Trust Convertible Preferred securities (the increase in net earnings is net of income tax expense of $963,000)	1,506	4,902	
Potential common shares issuable upon the exercise of outstanding stock options	-	505	
Diluted earnings per share	$17,715	54,086	$0.33

Options to purchase approximately 1.1 million shares of Devon's common stock, with exercise prices from $55.54 to $92.78 per share (with a weighted average price of $68.30 per share), were excluded from the diluted earnings per share calculation for second quarter 2000. The excluded options expire between July 24, 2000 and May 18, 2010.

Options to purchase approximately 0.7 million shares of Devon's common stock, with exercise prices from $34.75 to $42.90 per share (with a weighted average price of $37.11 per share), were excluded from the diluted earnings per share calculation for second quarter 1999. The excluded options expire between January 31, 2000 and May 20, 2008.

4. Earnings Per Share (Continued)

	Net Earnings Applicable to Common Shareholders	Common Shares Outstanding	Net Earnings Per Share
	(In Thousands)		
Six Months Ended June 30, 2000:			
Basic earnings per share	$146,953	86,481	$1.70
Dilutive effect of:			
Potential common shares issuable upon conversion of senior convertible debentures (the increase in net earnings is net of income tax expense of $46,000)	71	96	
Potential common shares issuable upon the exercise of outstanding stock options	-	1,250	
Diluted earnings per share	$147,024	87,827	$1.67

Options to purchase approximately 1.2 million shares of Devon's common stock, with exercise prices from $49.94 to $92.78 per share (with a weighted average price of $66.39 per share), were excluded from the diluted earnings per share calculation for the six months ended June 30, 2000. The excluded options expire between July 24, 2000 and May 18, 2010. All options were excluded from the diluted earnings per share calculation for the six months ended June 30, 1999.

5. 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. The revenues reported are all from external customers.

	U.S.	Canada	International	Total
	(In Thousands)			
As of June 30, 2000:				
Current assets	$ 538,123	63,016	27,503	628,642
Property and equipment, net of accumulated depreciation, depletion and amortization	2,360,109	498,363	321,289	3,179,761
Investment in Chevron Corporation common stock	601,527	-	-	601,527
Goodwill, net of amortization	270,060	-	29,421	299,481
Other assets	119,481	86	(1,042)	118,525
Total assets	$3,889,300	561,465	377,171	4,827,936
Current liabilities	208,682	44,905	18,958	272,545
Debentures exchangeable into shares of Chevron Corporation common stock	760,313	-	-	760,313
Other long-term debt	863,274	162,240	-	1,025,514
Deferred income taxes	376,207	28,744	26,931	31,882
Other liabilities	145,480	2,354	12,228	160,062
Stockholders' equity	1,535,344	323,222	319,054	2,177,620
Total liabilities and stockholders' equity	$3,889,300	561,465	377,171	4,827,936
Three Months ended June 30, 2000:				
Revenues				
Oil sales	$ 117,862	26,746	3,641	148,249
Gas sales	176,243	34,511	-	210,754
Natural gas liquids sales	26,270	4,163	-	30,433
Other	9,866	1,231	310	11,407
Total revenues	330,241	66,651	3,951	400,843
Costs and expenses				
Lease operating expenses	56,796	12,921	1,077	70,794
Production taxes	11,073	297	-	11,370
Depreciation, depletion and amortization of property and equipment	96,336	16,359	456	113,151
Amortization of goodwill	10,355	-	6	10,361
General and administrative expenses	11,925	2,541	1,657	16,123
Interest expense	23,107	2,568	-	25,675
Total costs and expenses	209,592	34,686	3,196	247,474
Earnings (loss) before income tax expense	120,649	31,965	755	153,369
Income tax expense				
Current	33,379	279	-	33,658
Deferred	14,451	14,353	173	28,977
Total income tax expense	47,830	14,632	173	62,635
Net earnings	72,819	17,333	582	90,734
Preferred stock dividends	2,434	-	-	2,434
Net earnings applicable to common shareholders	$ 70,385	17,333	582	88,300
Capital expenditures	$ 137,393	42,131	5,748	185,272

5. Segment Information (Continued)

	U.S.	Canada	International	Total
		(In Thousands)		
Three Months ended June 30, 1999:				
Revenues				
Oil sales	$ 19,930	16,941	-	36,871
Gas sales	32,448	26,939	-	59,387
Natural gas liquids sales	3,685	2,150	-	5,835
Other	678	1,541	-	2,219
Total revenues	56,741	47,571	-	104,312
Costs and expenses				
Lease operating expenses	14,343	12,757	-	27,100
Production taxes	3,165	281	-	3,446
Depreciation, depletion and amortization of property and equipment	18,762	17,001	-	35,763
Amortization of goodwill	-	-	-	-
General and administrative expenses	4,044	2,908	-	6,952
Interest expense	846	6,269	-	7,115
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	-	(5,585)	-	(5,585)
Distributions on preferred securities of subsidiary trust	2,430	-	-	2,430
Total costs and expenses	43,590	33,631	-	77,221
Earnings before income tax expense	13,151	13,940	-	27,091
Income tax expense				
Current	1,890	509	-	2,399
Deferred	2,231	6,252	-	8,483
Total income tax expense	4,121	6,761	-	10,882
Net earnings	$ 9,030	7,179	-	16,209
Capital expenditures	$ 39,138	17,959	-	57,097

5. Segment Information (Continued)

	U.S.	Canada	Inter-national	Total
		(In Thousands)		
Six Months ended June 30, 2000:				
Revenues				
Oil sales	$232,838	55,264	5,691	293,793
Gas sales	302,253	64,033	-	366,286
Natural gas liquids sales	57,171	8,532	-	65,703
Other	20,316	2,322	134	22,772
Total revenues	612,578	130,151	5,825	748,554
Costs and expenses				
Lease operating expenses	109,500	25,225	1,962	136,687
Production taxes	21,266	524	-	21,790
Depreciation, depletion and amortization of property and equipment	188,712	32,353	638	221,703
Amortization of goodwill	20,681	-	12	20,693
General and administrative expenses	25,052	4,795	2,926	32,773
Interest expense	45,955	4,996	-	50,951
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	-	2,408	-	2,408
Total costs and expenses	411,166	70,301	5,538	487,005
Earnings before income tax expense	201,412	59,850	287	261,549
Income tax expense				
Current	62,526	979	-	63,505
Deferred	18,747	27,263	213	46,223
Total income tax expense	81,273	28,242	213	109,728
Net earnings	$120,139	31,608	74	151,821
Preferred stock dividends	4,868	-	-	4,868
Net earnings applicable to common shareholders	$115,271	31,608	74	146,953
Capital expenditures	$217,871	78,157	7,799	303,827

5. Segment Information (Continued)

	U.S.	Canada	International	Total
		(In Thousands)		
Six Months ended June 30, 1999:				
Revenues				
Oil sales	$ 34,397	30,387	-	64,784
Gas sales	60,609	52,329	-	112,938
Natural gas liquids sales	6,203	3,561	-	9,764
Other	1,378	2,714	-	4,092
Total revenues	102,587	88,991	-	191,578
Costs and expenses				
Lease operating expenses	29,266	25,254	-	54,520
Production taxes	5,757	658	-	6,415
Depreciation, depletion and amortization of property and equipment	36,771	32,550	-	69,321
Amortization of goodwill	-	-	-	-
General and administrative expenses	6,958	6,217	-	13,175
Interest expense	1,488	12,291	-	13,779
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	-	(8,746)	-	(8,746)
Distributions on preferred securities of subsidiary trust	4,859	-	-	4,859
Total costs and expenses	85,099	68,224	-	153,323
Earnings before income tax expense	17,488	20,767	-	38,255
Income tax expense				
Current	2,710	1,592	-	4,302
Deferred	2,326	9,438	-	11,764
Total income tax expense	5,036	11,030	-	16,066
Net earnings	$ 12,452	9,737	-	22,189
Capital expenditures	$ 81,604	58,291	-	139,895

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, 2000, compared to the three-month and six-month periods ended June 30, 1999, and in financial condition since December 31, 1999. The discussion should be read in conjunction with Devon's 1999 annual report on Form 10-K.

Overview

Devon's revenues and net earnings for the quarter ended June 30, 2000, were the highest of any quarter in its history. Net earnings for the second quarter of 2000 were $90.7 million, or $1.02 per share. This compares to net earnings of $16.2 million, or $0.33 per share for the second quarter of 1999. Net earnings for the first half of 2000 were $151.8 million, or $1.70 per share. These compare to net earnings for the first half of 1999 of $22.2 million, or $0.46 per share. The increase in second quarter and first half earnings was due to sharply higher oil and natural gas production coupled with higher overall oil and natural gas prices. The increase in second quarter and first half production resulted primarily from the August 17, 1999, merger of PennzEnergy into Devon.

Results of Operations

Total revenues increased $296.5 million, or 284%, in the second quarter of 2000, and $557.0 million, or 291%, in the first half of 2000. This was the result of increases in the average prices of oil, gas and NGL, along with higher production on a combined Boe basis. Oil, gas and NGL revenues were up $287.3 million, or 281%, for the second quarter of 2000 compared to the second quarter of 1999, and $538.3 million, or 287% for the first half of 2000 compared to the first half of 1999. The three-month and six-month period 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 second quarter 1999 and first half 1999 results discussed in this report do not include any effect of PennzEnergy's operations.

Total

	Three Months Ended June 30, 2000	Three Months Ended June 30, 1999	Change	Six Months Ended June 30, 2000	Six Months Ended June 30, 1999	Change
Production						
Oil (MBbls)	5,821	2,506	+132%	11,516	5,071	+127%
Gas (MMcf)	70,212	36,280	+94%	139,026	71,402	+95%
NGL (MBbls)	1,613	515	+213%	3,389	991	+242%
Oil, Gas and NGL (MBoe)1	19,136	9,067	+111%	38,076	17,962	+112%
Average Prices						
Oil (Per Bbl)	$25.47	14.71	+73%	25.51	12.78	+100%
Gas (Per Mcf)	3.00	1.64	+83%	2.63	1.58	+67%
NGL (Per Bbl)	18.87	11.33	+67%	19.39	9.85	+97%
Oil, Gas and NGL (Per Boe)1	20.35	11.26	+81%	19.06	10.44	+83%
	(In Thousands)					
Revenues						
Oil	$148,249	36,871	+302%	293,793	64,784	+353%
Gas	210,754	59,387	+255%	366,286	112,938	+224%
NGL	30,433	5,835	+422%	65,703	9,764	+573%
Combined	$389,436	102,093	+281%	725,782	187,486	+287%

Domestic

	Three Months Ended June 30, 2000	Three Months Ended June 30, 1999	Change	Six Months Ended June 30, 2000	Six Months Ended June 30, 1999	Change
Production						
Oil (MBbls)	4,302	1,231	+249%	8,497	2,530	+236%
Gas (MMcf)	53,804	16,933	+218%	106,240	33,294	+219%
NGL (MBbls)	1,445	351	+312%	3,047	665	+358%
Oil, Gas and NGL (MBoe)1	14,714	4,404	+234%	29,251	8,744	+235%
Average Prices						
Oil (Per Bbl)	$27.40	16.19	+69%	27.40	13.60	+102%
Gas (Per Mcf)	3.28	1.92	+71%	2.85	1.82	+56%
NGL (Per Bbl)	18.18	10.50	+73%	18.76	9.33	+101%
Oil, Gas and NGL (Per Boe)1	21.77	12.73	+71%	20.25	11.57	+75%
	(In Thousands)					
Revenues						
Oil	$117,862	19,930	+491%	232,838	34,397	+577%
Gas	176,243	32,448	+443%	302,253	60,609	+399%
NGL	26,270	3,685	+613%	57,171	6,203	+822%
Combined	$320,375	56,063	+471%	592,262	101,209	+485%

Canada

	Three Months Ended June 30, 2000	1999	Change	Six Months Ended June 30, 2000	1999	Change
Production						
Oil (MBbls)	1,162	1,275	-9%	2,364	2,541	-7%
Gas (MMcf)	16,408	19,347	-15%	32,786	38,108	-14%
NGL (MBbls)	168	164	+2%	342	326	+5%
Oil, Gas and NGL (MBoe)1	4,065	4,663	-13%	8,170	9,218	-11%
Average Prices						
Oil (Per Bbl)	$23.02	13.29	+73%	23.38	11.96	+95%
Gas (Per Mcf)	2.10	1.39	+51%	1.95	1.37	+42%
NGL (Per Bbl)	24.78	13.11	+89%	24.95	10.92	+128%
Oil, Gas and NGL (Per Boe)1	16.09	9.87	+63%	15.65	9.36	+67%
		(In Thousands)				
Revenues						
Oil	$26,746	16,941	+58%	55,264	30,387	+82%
Gas	34,511	26,939	+28%	64,033	52,329	+22%
NGL	4,163	2,150	+94%	8,532	3,561	+140%
Combined	$65,420	46,030	+42%	127,829	86,277	+48%

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 NGL 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 second quarter and first half of 2000 Devon also produced 265,000 barrels and 539,000 barrels of oil in Venezuela, respectively, and 92,000 barrels and 116,000 barrels of oil in Azerbaijan, respectively. The oil revenues generated by this production were $3.6 million and $5.7 million for the second quarter and first half of 2000, respectively. This production was added by the PennzEnergy merger.

Oil Revenues. Oil revenues increased $111.4 million, or 302%, in the second quarter of 2000. Oil revenues increased $62.6 million due to a $10.76 per barrel increase in the average price of oil in 2000. An increase in 2000's production of 3.3 million barrels caused oil revenues to increase by $48.8 million. The PennzEnergy merger added 3.5 million barrels of oil in the second quarter of 2000. This increase was partially offset by a 0.2 million barrel decline in second quarter 2000 production from Devon's other properties. This reduction was primarily the result of natural decline.

Oil revenues increased $229.0 million, or 353%, in the first half of 2000. An increase in production of 6.4 million barrels, or 127%, caused oil revenues to increase by $82.3 million. Oil revenues increased $146.7 million due to a $12.73 per barrel increase in the average price of oil in 2000. The PennzEnergy merger added 6.9 million barrels of oil in the first half of 2000. This increase was partially offset by a 0.5 million barrel decline in first half 2000 production from Devon's other properties. This reduction was primarily the result of natural decline.

Gas Revenues. Gas revenues increased $151.4 million, or 255%, in the second quarter of 2000. Production rose 33.9 Bcf in the 2000 period, which added $55.6 million of gas revenues. A $1.36 per Mcf increase in the average gas price in the second quarter of 2000 contributed $95.8 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 36.5 Bcf of production in the second quarter of 2000. Gas production from Devon's historical domestic properties also increased 0.4 Bcf in the 2000 quarter.

These domestic increases were partially offset by a decline in Canadian gas production of 2.9 Bcf, or 15% in the 2000 quarter. Approximately half of the decline, or 1.5 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, 0.8 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 and the shut-in of some wells partially offset by new development during the 2000 quarter

Gas revenues increased $253.4 million, or 224%, in the first half of 2000. Production rose 67.6 Bcf in the 2000 period, which added $107.0 million of gas revenues. A $1.05 per Mcf increase in the average gas price in the first half of 2000 contributed $146.4 million of the increase in gas revenues.

Again, the largest contributor to the 2000 production increase was production added by the PennzEnergy merger. The PennzEnergy properties added 70.4 Bcf of production in the first half of 2000. Gas production from Devon's historical domestic properties also increased by 2.5 Bcf in the first half of 2000. This was primarily the result of a 2.9 Bcf increase in production from Devon's San Juan Basin and Powder River Basin coal seam gas properties. These properties produced 15.4 Bcf in the first half of 2000 compared to 12.5 Bcf in the first half of 1999. This increase was primarily the result of mechanical improvements implemented at the Northeast Blanco Unit coal seam gas property and additional wells drilled in the Powder River Basin.

These domestic increases were partially offset by a decline in Canadian gas production of 5.3 Bcf, or 14% in the first half of 2000. Approximately half of the decline, or 2.5 Bcf, was related to production from certain Canadian properties that were included in the first half of 1999 but were sold prior to the first half of 2000. Additionally, 1.2 Bcf of the decline was the result of increased Canadian government royalties which fluctuate based on pricing. The remainder of the reduction was primarily the result of natural decline partially offset by new development.

NGL Revenues. NGL revenues increased $24.6 million, or 422%, in the second quarter of 2000. An increase in the average price of $7.54 per barrel, or 67%, caused NGL revenues to increase $12.2 million in the 2000 quarter. A production increase of 1.1 million barrels caused revenues to increase $12.4 million. Production from the PennzEnergy merger properties during first quarter 2000 accounted for 1.1 million barrels.

NGL revenues increased $55.9 million, or 573%, in the first half of 2000. An increase in the average price of $9.54 per barrel, or 97%, caused NGL revenues to increase $32.3 million in the first half of 2000. A production increase of 2.4 million barrels caused revenues to increase $23.6 million. Production from the PennzEnergy merger properties during first half of 2000 accounted for 2.3 million barrels.

Other Revenues. Other revenues increased $9.2 million, or 414%, 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 an increased amount of cash on hand in the second quarter of 2000.

Other revenues increased $18.7 million, or 457%, in the first half of 2000. The 2000 period included $9.2 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.

Production and Operating Expenses. The components of production and operating expenses are set forth in the following tables.

	Total					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2000	1999	Change	2000	1999	Change
Absolute (Thousands)						
Recurring operations and maintenance expenses	$68,127	25,776	+164%	130,962	51,808	+153%
Well workover expenses	2,667	1,324	+101%	5,725	2,712	+111%
Production taxes	11,370	3,446	+230%	21,790	6,415	+240%
Total production and operating expenses	$82,164	30,546	+169%	158,477	60,935	+160%
Per Boe						
Recurring operations and maintenance expenses	3.56	2.84	+25%	3.44	2.88	+19%
Well workover expenses	0.14	0.15	-6%	0.15	0.15	0%
Production taxes	0.59	0.38	+56%	0.57	0.36	+60%
Total production and operating expenses	$4.29	3.37	+27%	4.16	3.39	+23%

	Domestic					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2000	1999	Change	2000	1999	Change
Absolute (Thousands)						
Recurring operations and maintenance expenses	$54,246	13,490	+302%	104,026	27,298	+281%
Well workover expenses	2,550	853	+199%	5,474	1,968	+178%
Production taxes	11,073	3,165	+250%	21,266	5,757	+269%
Total production and operating expenses	$67,869	17,508	+288%	130,766	35,023	+273%
Per Boe						
Recurring operations and maintenance expenses	3.69	3.06	+20%	3.56	3.12	+14%
Well workover expenses	0.17	0.20	-11%	0.19	0.23	-17%
Production taxes	0.75	0.72	+5%	0.73	0.66	+10%
Total production and operating expenses	$4.61	3.98	+16%	4.47	4.01	+12%

	Canada					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2000	1999	Change	2000	1999	Change

Absolute (Thousands)						
Recurring operations and maintenance expenses	$12,804	12,286	+4%	24,974	24,510	+2%
Well workover expenses	117	471	-75%	251	744	-66%
Production taxes	297	281	+6%	524	658	-20%
Total production and operating expenses	$13,218	13,038	+1%	25,749	25,912	-1%
Per Boe						
Recurring operations and maintenance expenses	3.15	2.64	+19%	3.06	2.66	+15%
Well workover expenses	0.03	0.10	-71%	0.03	0.08	-62%
Production taxes	0.07	0.06	+21%	0.06	0.07	-10%
Total production and operating expenses	$3.25	2.80	+16%	3.15	2.81	+12%

In addition to the expenses included in the prior tables for domestic and Canadian operations, the second quarter and first half of 2000 also included $1.1 million and $2.0 million, respectively, 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 $42.3 million, or 164%, in the second quarter of 2000. Domestic expenses increased $40.8 million in second quarter 2000 due to $39.9 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 $0.9 million in second quarter 2000. Recurring operations and maintenance expenses were lower than normal in the second 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 second quarter of 2000. Canada's recurring expenses were $0.5 million higher in the 2000 quarter due primarily to higher fuel costs related to increased heavy oil production.

Production taxes increased $7.9 million, or 230%, 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 471% increase in domestic oil, gas and NGL revenues in the second 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.

Recurring operations and maintenance expenses increased $79.2 million, or 153%, in the first half of 2000. Domestic expenses increased $76.7 million in first half of 2000 due to $74.7 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 $2.0 million in first half of 2000. Recurring operations and maintenance expenses were lower than normal in the first half of 1999 as certain non-essential services in Devon's primary oil producing properties were delayed due to the 1999 period's low oil prices. However, with the subsequent increase in oil prices, these delays did not continue in the first half of 2000. Canada's recurring expenses were $0.5 million higher in the first half of 2000 due primarily to higher fuel costs related to increased heavy oil production.

Production taxes increased $15.4 million, or 240%, in the first half of 2000. 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 485% increase in domestic oil, gas and NGL revenues in the first half 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 $72.8 million, or 209%, from $34.8 million in the second quarter of 1999 to $107.6 million in the second quarter of 2000. Oil and gas property related DD&A expense increased $38.7 million due to the 111% increase in combined oil, gas and NGL production in 2000. Additionally, an increase in the combined U.S., Canadian and international DD&A rate from $3.84 per Boe in the 1999 quarter to $5.62 per Boe in the 2000 quarter caused oil and gas property related DD&A to increase $34.1 million. The $1.78 increase in the 2000 rate over the 1999 rate was primarily the result of the PennzEnergy merger.

Oil and gas property related DD&A increased $143.6 million, or 213%, from $67.4 million in the first half of 1999 to $211.0 million in the first half of 2000. Oil and gas property related DD&A expense increased $75.5 million due to the 112% increase in combined oil, gas and NGL production in 2000. Additionally, an increase in the combined U.S., Canadian and international DD&A rate from $3.75 per Boe in the first half of 1999 to $5.54 per Boe in the first half of 2000 caused oil and gas property related DD&A to increase $68.1 million. The $1.79 increase in the 2000 rate over the 1999 rate was primarily the result of the PennzEnergy merger.

Non-oil and gas property DD&A expense increased $4.6 million to $5.5 million in the second quarter of 2000 compared to $0.9 million the second quarter of 1999. Non-oil and gas property DD&A expense increased $8.8 million to $10.7 million in the first half of 2000 compared to $1.9 million in the first half of 1999. Depreciation of the non-oil and gas properties acquired in the PennzEnergy merger and depreciation on Devon's newly constructed gas pipeline and gathering system in Wyoming accounted for the increase.

Amortization of Goodwill. In connection with the PennzEnergy merger, Devon recorded $336.3 million of goodwill. The goodwill was allocated $306.9 million to domestic properties and $29.4 million to international properties. The goodwill is being amortized using the units-of-production method. Substantially all of the $10.4 million and $20.7 million of amortization recognized in the second quarter and first half of 2000, respectively, 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 second quarter and first half of 2000 and 1999.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
	(In Thousands)			
Gross G&A	$31,904	13,866	64,573	26,983
Capitalized G&A	(8,015)	(3,066)	(16,103)	(5,613)
Reimbursed G&A	(7,766)	(3,848)	(15,697)	(8,195)
Net G&A	$16,123	6,952	32,773	13,175

Net G&A increased $9.2 million and $19.6 million, or 132% and 149%, in the second quarter and first half of 2000 compared to the same periods of 1999, respectively. Gross G&A increased $18.0 million and $37.6 million, or 130% and 139%, in the second quarter and first half of 2000 compared to the same periods of 1999, respectively. The increase in gross expenses in the second quarter and first half of 2000 was primarily related to additional costs incurred as a result of the PennzEnergy merger.

Net G&A was reduced $4.9 million and $10.5 million in the second quarter and first half of 2000, respectively, due to an increase in the amount capitalized as part of oil and gas properties. G&A was also reduced $3.9 million and $7.5 million in the second quarter and first half of 2000, respectively, by an 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 261%, in the second quarter of 2000. An increase in the average debt balance outstanding from $454.1 million in the second quarter of 1999 to $1.6 billion in the second quarter of 2000 caused interest expense to increase by $18.4 million. The increase in the average debt balance in the second quarter of 2000 was attributable to the long-term debt assumed in the PennzEnergy merger. An increase in the annualized interest rate on outstanding debt from 6.0% in the second quarter of 1999 to 6.4% in the second quarter of 2000 caused interest expense to increase by $0.5 million. The remaining decrease of $0.3 million was caused by other factors as shown in the following table.

Interest expense increased $37.2 million, or 270%, in the first half of 2000. An increase in the average debt balance outstanding from $426.3 million in the first half of 1999 to $1.6 billion in the first half of 2000 caused interest expense to increase by $37.6 million. The increase in the average debt balance in the first half of 2000 was attributable to the long- term debt assumed in the PennzEnergy merger. An increase in the annualized interest rate on outstanding debt from 6.2% in the first half of 1999 to 6.3% in the first half of 2000 caused interest expense to increase by $0.2 million. The remaining decrease of $0.6 million was caused by other factors as shown in the following table.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
	(In Thousands)			
Interest based on debt outstanding	$25,723	6,765	50,998	13,185
Facility and agency fees	332	152	622	298
Amortization of capitalized loan costs	147	96	294	165
Capitalized interest	(546)	--	(1,042)	--
Other	19	102	79	131
Total interest expense	$25,675	7,115	50,951	13,779

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 second quarter and first half 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, and substantially all of the securities were exchanged for shares of Devon common stock. As a result, no distributions were recorded in the 2000 periods.

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 effective tax rates estimated for the three-month and six-month periods ended June 30, 2000 and 1999 were not materially different. The estimated effective tax rate in the second quarter of 2000 was 41% compared to 40% in the second quarter of 1999. The estimated effective tax rate was 42% in both the first half of 2000 and the first half of 1999.

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 June 30, 2000, were approximately $226 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 I, Item 1 included elsewhere herein.

Capital Expenditures. Approximately $303.8 million was spent in the first six months of 2000 for capital expenditures. This total includes $257.6 million for the acquisition, drilling or development of oil and gas properties, $24.5 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 $21.7 million for other fixed assets.

Approximately $139.9 million was spent for capital expenditures in the first half of 1999. This total includes $101.7 million for the acquisition, drilling or development of oil and gas properties, $36.9 million related to the construction of the new gas pipeline and gathering system in Wyoming, and $1.3 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 half of 2000. Operating cash flow in the first half of 2000 was $381.5 million, compared to $85.9 million in the first half of 1999. The increase in operating cash flow in the first half of 2000 was primarily caused by the rise in revenues, partially offset by increased expenses, as discussed earlier in this section.

Devon's cash flow for the first six months of 2000 was more than adequate to fund its capital expenditures. Excess available cash flow, along with cash on hand at the beginning of the year and a portion of the proceeds from the late-June issue of convertible debentures, were used to retire long-term debt. At June 30, 2000, Devon's availability under its $750 million long- term credit facilities totaled $563 million. Devon also had approximately $186 million of unused proceeds from its convertible debenture issue temporarily invested in cash equivalents at June 30, 2000.

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") and in June 2000 issued SFAS 138, which amended certain provisions of SFAS 133. SFAS 133, as amended, 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. Devon plans to adopt the provisions of SFAS 133, as amended, in the first quarter of the year ending December 31, 2001, and is currently evaluating the effects of this pronouncement.

Pending Merger. On May 26, 2000, Devon and Santa Fe Snyder announced their intention to merge the two companies. In the merger, Santa Fe

Snyder stockholders will receive 0.22 shares of Devon common stock for each share of Santa Fe Snyder common stock owned. The merger is subject to approval by the stockholders of both companies at separate meetings on August 29, 2000, as well as certain regulatory approvals. If approved, the merger is expected to be consummated shortly after the stockholder meetings. The merger will be accounted for under the pooling-of- interests method of accounting for business combinations as an acquisition of Santa Fe Snyder by Devon. Therefore, Devon's operating results for all prior and future periods will include the combined amounts of Devon and Santa Fe Snyder as if the companies had always been combined.

Santa Fe Snyder's year-end 1999 proved oil and gas reserves totaled 386 million Boe, including 257 million Boe in the United States and 129 million Boe in other countries. Santa Fe Snyder's year-end 1999 undeveloped leasehold included 15.9 million net acres, including 1.2 million net acres in the United States and 14.7 million net acres internationally.

On July 21, 2000, Devon and Santa Fe Snyder filed definitive proxy materials concerning this pending merger. The proxy materials contain further disclosures regarding the merger and certain financial and operational data concerning both companies.

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 June 30, 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

(a) The Company's annual meeting of shareholders was held in Oklahoma City, Oklahoma at 10:00 a.m. local time, on Thursday May 18, 2000.

(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 86,490,732 shares of the Company's common stock outstanding and entitled to vote, 76,755,006 shares were present at the meeting in person or by proxy, representing approximately 89 percent of the total outstanding. The only matter voted upon at the meeting was the election of four directors to serve on the Company's board of directors until the 2003 annual meeting of shareholders. The vote tabulation with respect to each nominee was as follows:

Nominee	For	Authority Withheld
John A. Hagg	76,592,852	167,105
Henry R. Hamman	76,578,542	181,415
J. Larry Nichols	76,196,810	181,415
Robert B. Weaver	76,169,768	181,415

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 Amendment No. One to Agreement and Plan of Merger by and among Registrant, Devon Merger Co. and Santa Fe Snyder Corporation dated as of May 25, 2000 (incorporated by reference to Exhibit 2.1 to Registrant's Form 8-K filed July 12, 2000).

2.2 Agreement and Plan of Merger, dated as of May 25, 2000, by and among Registrant, Devon Merger Co. and Santa Fe Snyder Corporation (incorporated by reference to Annex A to Registrant's definitive proxy statement for a special meeting of shareholders filed July 21, 2000).

2.3 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).

2.4 Amended and Restated Combination Agreement between 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 August 18, 1999).

3.2 Registrant's Amended and Restated Bylaws (incorporated by reference to Exhibit 3.2 to Registrant's definitive proxy statement for a special meeting of shareholders filed July 21, 2000).

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

4.2 Registration Rights Agreement dated as of June 22, 2000 by and among Registrant and Morgan Stanley & Co. Incorporated and Salomon Smith Barney Inc. (incorporated by reference to Exhibit 4.1 to Registrant's Form 8-K filed July 12, 2000).

4.3 Amendment to Rights Agreement dated as of May 25, 2000 between Registrant and Fleet National Bank (f/k/a BankBoston, N.A.) (incorporated by reference to Exhibit 4.2 to Registrant's definitive proxy statement for a special meeting of shareholders filed July 21, 2000).

4.4 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 August 18, 1999).

4.5 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 August 18, 1999).

4.6 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 August 18, 1999).

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

4.8 Indenture dated as of June 27, 2000 between Registrant and The Bank of New York, setting forth the terms of the Zero Coupon Convertible Senior Debentures due 2020 (incorporated by reference to Exhibit 4.2 to Registrant's Form 8-K filed July 12, 2000).

4.9 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 March 10, 1993 (SEC File No. 1-5591)).

4.10 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 March 23, 1999.)

4.11 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(h) to PennzEnergy Company's 1998 Form 10-K filed March 23, 1999.)

4.12 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 August 18, 1999).

4.13 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 July 31, 1986 (SEC File No. 1-5591).

4.14 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 August 18, 1999).

4.15 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 August 18, 1999).

4.16 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).

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

4.18 Amended Exchangeable Share Provisions dated as of August 17, 1999 (incorporated by reference to Exhibit 4.17 to Registrant's Form 10-K for the fiscal year ended December 31, 1999).

27 Financial Data Schedule (filed electronically only)

(b) Reports on Form 8-K - Reports on Form 8-K filed since April 1, 2000, are described below:

Filing Date	Contents
May 26, 2000	Announcement on the planned merger with Santa Fe Snyder
June 5, 2000	Announcement of sale of the SACROC unit
June 21, 2000	Preliminary unaudited pro forma financial data concerning the Santa Fe Snyder merger
June 22, 2000	Announcement of the private placement of zero-coupon convertible debentures
July 12, 2000	Amendment to the Santa Fe Snyder merger agreement; indenture and registration rights agreement regarding the zero-coupon convertible debentures; and certain consents
July 27, 2000	Press release concerning the second quarter 2000 earnings announcement (a Form 8-K/A was filed August 1, 2000, revising certain data in the July 27, 2000, Form 8-K)

SIGNATURES

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

DEVON ENERGY CORPORATION

Date: August 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	6 MOS
FISCAL YEAR END	DEC 31 2000
PERIOD END	JUN 30 2000
CASH	298971
SECURITIES	0
RECEIVABLES	296605
ALLOWANCES	0
INVENTORY	14462
CURRENT ASSETS	628642
PP&E	5189889
DEPRECIATION	2010128
TOTAL ASSETS	4827936
CURRENT LIABILITIES	272545
BONDS	1785827
PREFERRED MANDATORY	0
PREFERRED	1500
COMMON	8698
OTHER SE	2167422
TOTAL LIABILITY AND EQUITY	4827936
SALES	725782
TOTAL REVENUES	748554
CGS	0
TOTAL COSTS	0
OTHER EXPENSES	158477
LOSS PROVISION	0
INTEREST EXPENSE	50951
INCOME PRETAX	261549
INCOME TAX	109728
INCOME CONTINUING	151821
DISCONTINUED	0
EXTRAORDINARY	0
CHANGES	0
NET INCOME	151821
EPS BASIC	1.70
EPS DILUTED	1.67

End of Filing