DEVON ENERGY CORP/DE

FORM 10-Q
(Quarterly Report)

Filed 11/14/00 for the Period Ending 09/30/00

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 11/14/2000 For Period Ending 9/30/2000

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 September 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 (State or Other Jurisdiction of Incorporation or Organization)	73-1567067 (I.R.S. Employer Identification Number)
20 N. BROADWAY, SUITE 1500 OKLAHOMA CITY, OKLAHOMA (Address of Principal Executive Offices)	73102 (Zip Code)

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

Not applicable

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

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

The number of shares outstanding of Registrant's common stock, par value $.10, as of November 1, 2000, was 128,341,000.

1 of 45 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
SEPTEMBER 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)

	SEPTEMBER 30, 2000 (UNAUDITED)	DECEMBER 31, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 178,647	173,167
Accounts receivable	467,393	316,005
Inventories	54,966	38,941
Investments and other current assets	78,594	57,295
Deferred income taxes	4,886	4,886
Total current assets	784,486	590,294
Property and equipment, at cost, based on the full cost method of accounting for oil and gas properties	9,367,282	8,592,010
Less accumulated depreciation, depletion and amortization	4,611,753	4,168,590
	4,755,529	4,423,420
Investment in Chevron Corporation common stock, at fair value	604,630	614,382
Goodwill, net of amortization	299,661	322,800
Other assets	126,210	145,464
Total assets	$ 6,570,516	6,096,360
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable:		
Trade	277,159	266,825
Revenues and royalties due to others	93,506	67,330
Income taxes payable	83,204	12,587
Accrued interest payable	31,350	28,370
Merger related expenses payable	65,720	35,704
Accrued expenses	60,449	56,528
Total current liabilities	611,388	467,344
Other liabilities	180,411	262,310
Debentures exchangeable into shares of Chevron Corporation common stock	760,313	760,313
Other long-term debt	1,441,824	1,656,208
Deferred revenue	129,744	104,800
Deferred income taxes	483,155	324,065
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; outstanding 128,261,000 in 2000 and 126,323,000 in 1999	12,826	12,632
Additional paid-in capital	3,544,564	3,491,828
Accumulated deficit	(510,400)	(908,598)
Accumulated other comprehensive loss	(84,809)	(65,242)
Treasury stock, at cost; 330,000 shares in 1999	--	(10,800)
Total stockholders' equity	2,963,681	2,521,320
Total liabilities and stockholders' equity	$ 6,570,516	6,096,360

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 SEPTEMBER 30, 2000	THREE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999
	(UNAUDITED)			
REVENUES				
Oil sales	$ 265,183	166,678	805,776	334,162
Gas sales	384,542	185,719	936,628	371,957
Natural gas liquids sales	35,455	18,744	106,358	32,308
Other	29,666	5,410	54,438	10,902
Total revenues	714,846	376,551	1,903,200	749,329
COSTS AND EXPENSES				
Lease operating expenses	114,035	82,846	337,922	198,666
Production taxes	26,252	13,151	66,242	25,366
Depreciation, depletion and amortization of property and equipment	170,151	135,977	507,654	255,798
Amortization of goodwill	10,364	--	31,057	--
Expenses related to merger	57,233	--	57,233	16,800
General and administrative expenses	25,304	26,038	74,177	52,813
Interest expense	40,445	34,359	121,396	64,938
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	--	(330)	2,408	(9,076)
Distributions on preferred securities of subsidiary trust	--	2,429	--	7,288
Reduction of carrying value of oil and gas properties	--	--	--	463,800
Total costs and expenses	443,784	294,470	1,198,089	1,076,393
Earnings (loss) before income tax expense (benefit) and extraordinary item	271,062	82,081	705,111	(327,064)
INCOME TAX EXPENSE (BENEFIT)				
Current	50,403	1,073	122,908	5,475
Deferred	55,747	30,156	158,770	(107,680)
Total income tax expense (benefit)	106,150	31,229	281,678	(102,205)
Income (loss) before extraordinary item	164,912	50,852	423,433	(224,859)
Extraordinary item	--	--	--	(4,200)
Net earnings (loss)	164,912	50,852	423,433	(229,059)
Preferred stock dividends	2,433	1,217	7,301	1,217
Net earnings (loss) applicable to common stockholders	$ 162,479	49,635	416,132	(230,276)
Net earnings (loss) before extraordinary item per average common share outstanding:				
Basic	$ 1.27	0.50	3.27	(2.70)
Diluted	$ 1.22	0.48	3.20	(2.70)
Net earnings (loss) after extraordinary item per average common share outstanding:				
Basic	$ 1.27	0.50	3.27	(2.75)
Diluted	$ 1.22	0.48	3.20	(2.75)
Weighted average common shares outstanding:				
Basic	127,857	99,178	127,065	83,592
Diluted	134,394	105,596	130,628	89,427

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE OPERATIONS
(IN THOUSANDS)

	THREE MONTHS ENDED SEPTEMBER 30, 2000	THREE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000	NINE MONTHS ENDED SEPTEMBER 30, 1999
	(UNAUDITED)			
Net earnings (loss)	$ 164,912	50,852	423,433	(229,059)
Other comprehensive earnings (loss):				
Foreign currency translation adjustments	(6,462)	483	(12,237)	4,815
Unrealized losses on marketable securities, net of tax benefit	(1,288)	(25,362)	(7,330)	(28,962)
Comprehensive earnings (loss)	$ 157,162	25,973	403,866	(253,206)

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	NINE MONTHS ENDED SEPTEMBER 30, 2000	1999
	(UNAUDITED)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings (loss)	$ 423,433	(229,059)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization of property and equipment	507,654	255,798
Amortization of goodwill	31,057	--
Accretion of interest on zero-coupon convertible senior debentures	3,531	--
Accretion of debt discounts	(2,891)	--
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	2,408	(9,076)
Gain on sale of assets	(5,854)	(87)
Deferred income tax expense (benefit)	158,770	(107,680)
Reduction of carrying value of oil and gas properties	--	463,800
Other	(28)	1,868
Changes in assets and liabilities:		
Increase in:		
Accounts receivable	(153,432)	(52,499)
Inventories	(16,025)	(3,022)
Investments and other current assets	(22,751)	(8,805)
Other assets	(3,029)	(20,106)
Increase (decrease) in:		
Accounts payable	95,842	(17,998)
Income taxes payable	78,095	(100)
Accrued expenses	37,198	36,126
Deferred revenue	23,545	109,400
Long-term other liabilities	(24,133)	(3,369)
Net cash provided by operating activities	1,133,390	415,191
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	56,640	64,524
Payments made for acquisitions of businesses, net of cash acquired	--	(18,088)
Capital expenditures	(947,974)	(690,731)
Decrease in other assets	--	637
Net cash used in investing activities	(891,334)	(643,658)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from borrowings on revolving lines of credit	1,912,499	1,145,291
Principal payments on revolving lines of credit	(2,248,568)	(1,058,096)
Principal payments on other long-term debt	(225,000)	(100,000)
Proceeds from issuance of other long-term debt, net of issuance costs	346,050	123,400
Issuance of common stock, net of issuance costs	37,500	499,647
Treasury stock purchased	(10,699)	(600)
Treasury stock issued	24,937	5,900
Dividends paid on common stock	(15,080)	(8,388)
Dividends paid on preferred stock	(7,301)	(1,217)
(Decrease) increase in long-term other liabilities	(49,802)	2,072
Net cash (used in) provided by financing activities	(235,464)	608,009
Effect of exchange rate changes on cash	(1,112)	162
Net increase in cash and cash equivalents	5,480	379,704
Cash and cash equivalents at beginning of period	173,167	31,254
Cash and cash equivalents at end of period	$ 178,647	410,958

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

On August 29, 2000, Devon Energy Corporation ("Devon") and Santa Fe Snyder Corporation ("Santa Fe Snyder") completed a merger of the two companies (the "Santa Fe Snyder merger"). At that date, Santa Fe Snyder became a wholly-owned subsidiary of Devon. Pursuant to the Santa Fe Snyder merger, Santa Fe Snyder's common shareholders received approximately 40.6 million Devon common shares based on an exchange ratio of 0.22 Devon common shares for each Santa Fe Snyder common share outstanding.

The Santa Fe Snyder merger was accounted for under the pooling-of-interests method of accounting for business combinations. All operational and financial information contained herein includes the combined amounts of Devon and Santa Fe Snyder for all periods presented. The separate results of operations of Devon and Santa Fe Snyder for the six-month period ended June 30, 2000 are as follows:

	SIX MONTHS ENDED JUNE 30, 2000
	(IN THOUSANDS)
Revenues:	
Devon	$ 748,554
Santa Fe Snyder	439,800
Combined	$1,188,354
Net earnings:	
Devon	151,821
Santa Fe Snyder	106,700
Combined	$ 258,521

Merger costs related to the Devon and Santa Fe Snyder merger consisted primarily of severance and other benefit costs, investment banking fees, other professional expenses, costs associated with duplicate facilities and various transaction related costs. Costs of $35.9 million have not been paid as of September 30, 2000, and have been reflected as merger related expenses payable.

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, as restated for the pooling accounting method of the Santa Fe Snyder merger, included in Devon's Form 8-K filed on November 13, 2000.

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 September 30, 2000, and the results of its operations and its cash flows for the three-month and nine-month periods ended September 30, 2000 and 1999.

2. CREDIT FACILITIES

On August 29, 2000, Devon increased its borrowing availability under its unsecured long-term credit facilities (the "Credit Facilities") from $750 million to $1 billion. The Credit Facilities include a U.S. facility of $725 million (the "U.S. Facility") and a Canadian facility of $275 million (the "Canadian Facility").

Amounts borrowed under the Credit Facilities bear interest at various fixed rate options that Devon may elect for periods up to six months. Such rates are generally less than the prime rate. Devon may also elect to borrow at the prime rate. The Credit Facilities provide for an annual facility fee of $0.9 million that is payable quarterly.

The $725 million U.S. Facility consists of a Tranche A facility of $200 million and a Tranche B facility of $525 million. The Tranche A facility matures on October 15, 2004. Devon may borrow funds under the Tranche B facility until August 28, 2001 (the "Tranche B Revolving Period"). Devon may request that the Tranche B Revolving Period be extended an additional 364 days by notifying the agent bank of such request between 30 and 60 days prior to the end of the Tranche B Revolving Period. Debt borrowed under the Tranche B facility matures two years and one day following the end of the Tranche B Revolving Period. On September 30, 2000, there were no borrowings outstanding under the $725 million U.S. Facility.

Devon may borrow funds under the $275 million Canadian Facility until August 28, 2001 (the "Canadian Facility Revolving Period"). Devon may request that the Canadian Facility Revolving Period be extended an additional 364 days by notifying the agent bank of such request between 45 and 90 days prior to the end of the Canadian Facility Revolving Period. Debt outstanding as of the end of the Canadian Facility Revolving Period is payable in semi annual installments of 2.5% each for the following five years, with the final installment due five years and one day following the end of the Canadian Facility Revolving Period. On September 30, 2000, there was $142.7 million borrowed under the $275 million Canadian facility.

Under the terms of the Credit Facilities, Devon has the right to reallocate up to $100 million of the unused Tranche B facility maximum credit amount to the Canadian Facility. Conversely, Devon also has the right to reallocate up to $100 million of unused Canadian Facility maximum credit amount to the Tranche B Facility.

The agreements governing the Credit Facilities contain certain covenants and restrictions, including a maximum allowed debt-to-capitalization ratio as defined in the agreements.

3. LONG-TERM DEBT

On August 29, 2000, Devon entered into a commercial paper program with Goldman, Sachs & Co. and Chase Securities Inc. as the dealers. Devon may borrow up to $725 million under the commercial paper program. Total borrowings under the U.S. Facility and the commercial paper program may not exceed $725 million. The commercial paper borrowings may have terms of up to 365 days and will bear interest at rates agreed to at the time of the borrowing. The interest rate will be based on a standard index such as the Federal Funds Rate, London Interbank Offered Rate (LIBOR), or the money market rate as found on the commercial paper market. As of September 30, 2000, Devon had $159.6 million of borrowings under its commercial paper program at an average rate of 6.85%. Because Devon had the intent and ability to refinance the balance due with borrowings under its U.S. Facility, the $159.6 million outstanding under the commercial paper program was classified as long-term debt on the September 30, 2000 consolidated balance sheet.

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 debenture holder 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 Devon 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 down other domestic long-term debt.

In March 2000, Devon entered into a new unsecured, fixed-rate money market note with The Chase Manhattan Bank. This note was short-term and permitted multiple borrowings. Devon had the ability to borrow up to a $200 million limit. This note was terminated with the commencement of the commercial paper program in September 2000.

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 nine-month periods ended September 30, 2000 and the three-month period ended September 30, 1999. The diluted loss per share calculations for the nine-month period ended September 30, 1999 produced results that were anti-dilutive. These calculations decreased the net loss by $4.5 million in the nine-month period ended September 30, 1999, and increased the common shares outstanding by 5.8 million shares in the period.

Options to purchase approximately 1.1 million shares of Devon's common stock with exercise prices ranging from $56.19 per share to $89.66 per share (with a weighted average price of $66.14 per share) were outstanding at September 30, 2000, but were not included in the computation of diluted earnings per share for the third quarter of 2000 because the options' exercise price exceeded the average market price of Devon's common stock during the third quarter. Similarly, options to purchase approximately 1.2 million shares of Devon's common stock with exercise prices ranging from $52.89 per share to $89.66 per share (with a weighted average price of $66.09 per share) were excluded from the diluted earnings per share calculation for the first nine months of 2000. The excluded options for both the 2000 periods expire between December 5, 2000 and June 1, 2010.

Options to purchase approximately 2.2 million shares of Devon's common stock with exercise prices ranging from $37.25 per share to $92.78 per share (with a weighted average price of $57.02 per share) were outstanding at September 30, 1999, but were not included in the computation of diluted earnings per share for the third quarter of 1999 because the options' exercise price exceeded the average market price of Devon's common stock during the third quarter.

	NET EARNINGS APPLICABLE TO COMMON STOCKHOLDERS	COMMON SHARES OUTSTANDING	NET EARNINGS PER SHARE
	(IN THOUSANDS)		
THREE MONTHS ENDED SEPTEMBER 30, 2000:			
Basic earnings per share	$162,479	127,857	$1.27
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 $1,355,000)	2,119	4,377	
Potential common shares issuable upon the exercise of outstanding stock options	--	2,160	
Diluted earnings per share	$164,598	134,394	$1.22
THREE MONTHS ENDED SEPTEMBER 30, 1999:			
Basic earnings per share	$ 49,635	99,178	$0.50
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	--	1,516	
Diluted earnings per share	$ 51,141	105,596	$0.48

4. EARNINGS PER SHARE (CONTINUED)

	NET EARNINGS APPLICABLE TO COMMON STOCKHOLDERS	COMMON SHARES OUTSTANDING	NET EARNINGS PER SHARE
	(IN THOUSANDS)		
NINE MONTHS ENDED SEPTEMBER 30, 2000:			
Basic earnings per share	$416,132	127,065	$3.27
Dilutive effect of:			
Potential common shares issuable upon the conversion of senior convertible debentures (the increase in net earnings is net of income tax expense of $1,399,000)	2,189	1,534	
Potential common shares issuable upon the exercise of outstanding stock options	--	2,029	
Diluted earnings per share	$418,321	130,628	$3.20

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	INTER-NATIONAL	TOTAL
		(IN THOUSANDS)		
AS OF SEPTEMBER 30, 2000:				
Current assets	$ 516,714	70,777	196,995	784,486
Property and equipment, net of accumulated depreciation, depletion and amortization	3,609,470	503,041	643,018	4,755,529
Investment in Chevron Corporation common stock	604,630	--	--	604,630
Goodwill, net of amortization	268,036	--	31,625	299,661
Other assets	118,351	80	7,779	126,210
Total assets	$5,117,201	573,898	879,417	6,570,516
Current liabilities	487,185	46,621	77,582	611,388
Debentures exchangeable into shares of Chevron Corporation common stock	760,313	--	--	760,313
Other long-term debt	1,299,150	142,674	--	1,441,824
Deferred revenue	128,447	1,297	--	129,744
Deferred tax liabilities	426,804	45,507	10,844	483,155
Other liabilities	161,045	719	18,647	180,411
Stockholders' equity	1,854,257	337,080	772,344	2,963,681
Total liabilities and stockholders' equity	$5,117,201	573,898	879,417	6,570,516
THREE MONTHS ENDED SEPTEMBER 30, 2000:				
REVENUES				
Oil sales	$ 171,890	30,853	62,440	265,183
Gas sales	344,974	36,419	3,149	384,542
Natural gas liquids sales	30,985	4,354	116	35,455
Other	28,304	1,181	181	29,666
Total revenues	576,153	72,807	65,886	714,846
COSTS AND EXPENSES				
Lease operating expenses	86,022	13,315	14,698	114,035
Production taxes	25,835	295	122	26,252
Depreciation, depletion and amortization of property and equipment	143,587	15,633	10,931	170,151
Amortization of goodwill	10,358	--	6	10,364
Expenses related to merger	57,233	--	--	57,233
General and administrative expenses	23,063	2,263	(22)	25,304
Interest expense	37,463	2,902	80	40,445
Total costs and expenses	383,561	34,408	25,815	443,784
Earnings before income tax expense	192,592	38,399	40,071	271,062
INCOME TAX EXPENSE				
Current	46,168	595	3,640	50,403
Deferred	24,124	17,579	14,044	55,747
Total income tax expense	70,292	18,174	17,684	106,150
Net earnings	122,300	20,225	22,387	164,912
Preferred stock dividends	2,433	--	--	2,433
Net earnings applicable to common stockholders	$ 119,867	20,225	22,387	162,479
Capital expenditures	$ 173,542	29,449	25,956	228,947

6. SEGMENT INFORMATION (CONTINUED)

	U.S.	CANADA	INTER-NATIONAL	TOTAL
		(IN THOUSANDS)		
THREE MONTHS ENDED SEPTEMBER 30, 1999:				
REVENUES				
Oil sales	$ 99,890	23,276	43,512	166,678
Gas sales	155,306	27,213	3,200	185,719
Natural gas liquids sales	15,772	2,872	100	18,744
Other	4,083	1,017	310	5,410
Total revenues	275,051	54,378	47,122	376,551
COSTS AND EXPENSES				
Lease operating expenses	54,632	12,214	16,000	82,846
Production taxes	12,684	367	100	13,151
Depreciation, depletion and amortization of property and equipment	110,741	16,982	8,254	135,977
General and administrative expenses	22,551	2,777	710	26,038
Interest expense	27,984	6,091	284	34,359
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	--	(330)	--	(330)
Distributions on preferred securities of subsidiary trust	2,429	--	--	2,429
Total costs and expenses	231,021	38,101	25,348	294,470
Earnings before income tax expense (benefit)	44,030	16,277	21,774	82,081
INCOME TAX EXPENSE (BENEFIT)				
Current	(320)	493	900	1,073
Deferred	14,853	6,864	8,439	30,156
Total income tax expense (benefit)	14,533	7,357	9,339	31,229
Net earnings	29,497	8,920	12,435	50,852
Preferred stock dividends	1,217	--	--	1,217
Net earnings applicable to common stockholders	$ 28,280	8,920	12,435	49,635
Capital expenditures	$ 354,740	33,996	19,300	408,036

6. SEGMENT INFORMATION (CONTINUED)

	U.S.	CANADA	INTER-NATIONAL	TOTAL
		(IN THOUSANDS)		
NINE MONTHS ENDED SEPTEMBER 30, 2000:				
REVENUES				
Oil sales	$ 547,128	86,117	172,531	805,776
Gas sales	827,427	100,452	8,749	936,628
Natural gas liquids sales	93,256	12,886	216	106,358
Other	50,220	3,503	715	54,438
Total revenues	1,518,031	202,958	182,211	1,903,200
COSTS AND EXPENSES				
Lease operating expenses	249,322	38,540	50,060	337,922
Production taxes	65,101	819	322	66,242
Depreciation, depletion and amortization of property and equipment	428,399	47,986	31,269	507,654
Amortization of goodwill	31,039	--	18	31,057
Expenses related to merger	57,233	--	--	57,233
General and administrative expenses	65,815	7,058	1,304	74,177
Interest expense	112,818	7,898	680	121,396
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	--	2,408	--	2,408
Total costs and expenses	1,009,727	104,709	83,653	1,198,089
Earnings before income tax expense	508,304	98,249	98,558	705,111
INCOME TAX EXPENSE				
Current	110,494	1,574	10,840	122,908
Deferred	80,371	44,842	33,557	158,770
Total income tax expense	190,865	46,416	44,397	281,678
Net earnings	317,439	51,833	54,161	423,433
Preferred stock dividends	7,301	--	--	7,301
Net earnings applicable to common stockholders	$ 310,138	51,833	54,161	416,132
Capital expenditures	$ 720,013	107,606	120,355	947,974

6. SEGMENT INFORMATION (CONTINUED)

	U.S.	CANADA	INTER-NATIONAL	TOTAL
		(IN THOUSANDS)		
NINE MONTHS ENDED SEPTEMBER 30, 1999:				
REVENUES				
Oil sales	$ 179,987	53,663	100,512	334,162
Gas sales	283,415	79,542	9,000	371,957
Natural gas liquids sales	25,675	6,433	200	32,308
Other	6,261	3,731	910	10,902
Total revenues	495,338	143,369	110,622	749,329
COSTS AND EXPENSES				
Lease operating expenses	116,598	37,468	44,600	198,666
Production taxes	24,041	1,025	300	25,366
Depreciation, depletion and amortization of property and equipment	182,512	49,532	23,754	255,798
Expenses related to merger	16,800	--	--	16,800
General and administrative expenses	44,909	8,994	(1,090)	52,813
Interest expense	45,672	18,382	884	64,938
Deferred effect of changes in foreign currency exchange rate on subsidiary's long-term debt	--	(9,076)	--	(9,076)
Distributions on preferred securities of subsidiary trust	7,288	--	--	7,288
Reduction of carrying value of oil and gas properties	463,700	--	100	463,800
Total costs and expenses	901,520	106,325	68,548	1,076,393
Earnings (loss) before income tax expense (benefit) and extraordinary item	(406,182)	37,044	42,074	(327,064)
INCOME TAX EXPENSE (BENEFIT)				
Current	490	2,085	2,900	5,475
Deferred	(138,721)	16,302	14,739	(107,680)
Total income tax expense (benefit)	(138,231)	18,387	17,639	(102,205)
Income (loss) before extraordinary item	(267,951)	18,657	24,435	(224,859)
Extraordinary item	(4,200)	--	--	(4,200)
Net earnings (loss)	$ (272,151)	18,657	24,435	(229,059)
Preferred stock dividends	1,217	--	--	1,217
Net earnings (loss) applicable to common stockholders	$ (273,368)	18,657	24,435	(230,276)
Capital expenditures	$ 529,344	92,287	69,100	690,731

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 nine-month periods ended September 30, 2000, compared to the three-month and nine-month periods ended September 30, 1999, and in financial condition since December 31, 1999. It is presumed that readers have read or have access to Devon's combined financial statements, footnotes and management's discussion and analysis of financial condition and results of operations for the three-year period ended December 31, 1999, as restated for the pooling accounting method of the Santa Fe Snyder merger, filed in a Form 8-K on November 13, 2000.

OVERVIEW

On August 29, 2000, Devon merged with Santa Fe Snyder. As a result of accounting for this merger as a pooling-of-interests, the financial data for all periods presented herein represent the combined results of the two companies. The pooling-of-interests method of accounting requires historical information to be restated as if the combining companies had always been merged. The restated data varies significantly from the historical data Devon previously presented on a stand-alone basis.

Devon's revenues and net earnings for the quarter ended September 30, 2000, were the highest of any quarter in its history. Net earnings for the third quarter of 2000 were $164.9 million, or $1.27 per share. This compares to net earnings of $50.9 million, or $0.50 per share for the third quarter of 1999. Net earnings for the first nine months of 2000 were $423.4 million, or $3.27 per share. These compare to a net loss for the first nine months of 1999 of $229.1 million, or $2.70 per share. The increase in third quarter earnings was due to sharply higher oil and natural gas production coupled with higher overall oil and natural gas prices offset in part by higher expenses. The increase in first nine months earnings was due to higher oil and natural gas production coupled with higher overall oil and natural gas prices, and a $463.8 million ($301.7 million after-tax) full cost writedown in 1999's second quarter offset in part by higher expenses in 2000. The increase in third quarter and first nine months production in 2000 resulted primarily from the May 5, 1999 and August 17, 1999, mergers of Snyder Oil Company and PennzEnergy Company, respectively, as well as the August 1999 and January 2000 purchases of certain proved domestic oil and gas properties.

On August 29, 2000, Devon increased its borrowing availability under its unsecured long-term credit facilities from $750 million to $1 billion. Additionally, in August 2000, Devon commenced a commercial paper program. As of September 30, 2000, Devon had approximately $698 million of unused borrowing capacity under the credit facilities.

RESULTS OF OPERATIONS

Total revenues increased $338.3 million, or 90%, in the third quarter of 2000, and $1.2 billion, or 154% in the first nine months of 2000. The quarterly and year-to-date comparisons of production and price changes are shown in the following tables. (Note: Unless otherwise stated, all references in this report to dollar amounts regarding Devon's foreign operations are expressed in U.S. dollars.)

	TOTAL					
	THREE MONTHS ENDED SEPTEMBER 30,			NINE MONTHS ENDED SEPTEMBER 30,		
	2000	1999	CHANGE	2000	1999	CHANGE
PRODUCTION						
Oil (MBbls)	10,147	8,507	+19%	32,241	21,384	+51%
Gas (MMcf)	106,114	86,709	+22%	316,084	199,973	+58%
NGL (MBbls)	1,688	1,418	+19%	5,384	2,941	+83%
Oil, Gas and NGLs (MBoe)(1)	29,521	24,377	+21%	90,306	57,654	+57%
AVERAGE PRICES						
Oil (Per Bbl)	$26.13	19.59	+33%	24.99	15.63	+60%
Gas (Per Mcf)	3.62	2.14	+69%	2.96	1.86	+59%
NGL (Per Bbl)	21.00	13.22	+59%	19.75	10.99	+80%
Oil, Gas and NGLs (Per Boe)(1)	23.21	15.23	+52%	20.47	12.81	+60%
			(IN THOUSANDS)			
REVENUES						
Oil	$265,183	166,678	+59%	805,776	334,162	+141%
Gas	384,542	185,719	+107%	936,628	371,957	+152%
NGLs	35,455	18,744	+89%	106,358	32,308	+229%
Combined	$685,180	371,141	+85%	1,848,762	738,427	+150%

	DOMESTIC					
	THREE MONTHS ENDED SEPTEMBER 30,			NINE MONTHS ENDED SEPTEMBER 30,		
	2000	1999	CHANGE	2000	1999	CHANGE
PRODUCTION						
Oil (MBbls)	6,638	4,923	+35%	21,811	11,021	+98%
Gas (MMcf)	89,404	65,429	+37%	262,231	135,885	+93%
NGL (MBbls)	1,519	1,237	+23%	4,869	2,427	+101%
Oil, Gas and NGLs (MBoe)(1)	23,058	17,065	+35%	70,385	36,096	+95%
AVERAGE PRICES						
Oil (Per Bbl)	$25.89	20.29	+28%	25.09	16.33	+54%
Gas (Per Mcf)	3.86	2.37	+63%	3.16	2.09	+51%
NGL (Per Bbl)	20.40	12.75	+60%	19.15	10.58	+81%
Oil, Gas and NGLs (Per Boe)(1)	23.76	15.88	+50%	20.85	13.55	+54%
	(IN THOUSANDS)					
REVENUES						
Oil	$171,890	99,890	+72%	547,128	179,987	+204%
Gas	344,974	155,306	+122%	827,427	283,415	+192%
NGLs	30,985	15,772	+96%	93,256	25,675	+263%
Combined	$547,849	270,968	+102%	1,467,811	489,077	+200%

	CANADA					
	THREE MONTHS ENDED SEPTEMBER 30,			NINE MONTHS ENDED SEPTEMBER 30,		
	2000	1999	CHANGE	2000	1999	CHANGE
PRODUCTION						
Oil (MBbls)	1,234	1,360	-9%	3,598	3,901	-8%
Gas (MMcf)	14,477	18,777	-23%	47,263	56,885	-17%
NGL (MBbls)	162	177	-8%	504	503	0%
Oil, Gas and NGLs (MBoe)(1)	3,809	4,667	-18%	11,979	13,885	-14%
AVERAGE PRICES						
Oil (Per Bbl)	$25.00	17.11	+46%	23.93	13.76	+74%
Gas (Per Mcf)	2.52	1.45	+74%	2.13	1.40	+52%
NGL (Per Bbl)	26.88	16.23	+66%	25.57	12.79	+100%
Oil, Gas and NGLs (Per Boe)(1)	18.80	11.43	+64%	16.65	10.06	+66%
	(IN THOUSANDS)					
REVENUES						
Oil	$30,853	23,276	+33%	86,117	53,663	+60%
Gas	36,419	27,213	+34%	100,452	79,542	+26%
NGLs	4,354	2,872	+52%	12,886	6,433	+100%
Combined	$71,626	53,361	+34%	199,455	139,638	+43%

	INTERNATIONAL					
	THREE MONTHS ENDED SEPTEMBER 30,			NINE MONTHS ENDED SEPTEMBER 30,		
	2000	1999	CHANGE	2000	1999	CHANGE
PRODUCTION						
Oil (MBbls)	2,275	2,224	+2%	6,832	6,462	+6%
Gas (MMcf)	2,233	2,503	-11%	6,590	7,203	-9%
NGL (MBbls)	7	4	+75%	11	11	0%
Oil, Gas and NGLs (MBoe)(1)	2,654	2,645	0%	7,941	7,674	+3%
AVERAGE PRICES						
Oil (Per Bbl)	$27.45	19.56	+40%	25.25	15.55	+62%
Gas (Per Mcf)	1.41	1.28	+10%	1.33	1.25	+6%
NGL (Per Bbl)	16.57	24.50	-32%	19.64	16.42	+20%
Oil, Gas and NGLs (Per Boe)(1)	24.76	17.70	+40%	22.86	14.30	+60%
			(IN THOUSANDS)			
REVENUES						
Oil	$62,440	43,512	+44%	172,531	100,512	+72%
Gas	3,149	3,200	-2%	8,749	9,000	-3%
NGLs	116	100	+16%	216	200	+8%
Combined	$65,705	46,812	+40%	181,496	109,712	+65%

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

OIL REVENUES. Oil revenues increased $98.5 million, or 59%, in the third quarter of 2000. An increase in the average price of $6.54 per barrel, or 33%, increased oil revenues by $66.4 million. An increase in production of 1.6 million barrels, or 19%, caused oil revenues to increase by $32.1 million in the 2000 quarter. Of the 1.6 million barrel increase in production, the PennzEnergy merger accounted for 1.0 million barrels of oil production in the 2000 period compared to the 1999 period. The 2000 quarter included three months of production while the 1999 quarter only included production for 1 1/2 months. In addition to the production added by the PennzEnergy merger, 1.1 million barrels of oil production was added by the August 1999 and January 2000 acquisitions of certain proved domestic properties. These increases were partially offset by a 0.5 million barrel decline in third quarter 2000 production from Devon's other properties. Natural decline and the disposition of certain proved properties were the primary causes for the decline in 2000 quarterly production.

Oil revenues increased $471.6 million, or 141%, in the first nine months of 2000. Oil revenues increased $301.9 million due to an increase in the average price of $9.36 per barrel, or 60%. An increase in production of 10.9 million barrels, or 51%, caused oil revenues to increase by $169.7 million. Of the 10.9 million barrel increase in production, the PennzEnergy merger accounted for 7.9 million barrels of oil production in the 2000 period compared to the 1999 period. The 2000 period included nine months of production while the 1999 period only included production for 1 1/2 months. In addition to the production added by the PennzEnergy merger, 3.4 million barrels of oil production were added by the August 1999 and January 2000 acquisitions of certain proved domestic properties and 0.2 million barrels of oil production were added by the Snyder merger. These increases were partially offset by a 0.6 million barrel decline in the first nine months' 2000 production from Devon's other properties. Natural decline and the disposition of certain proved properties were the primary causes for the decline in 2000 quarterly production.

GAS REVENUES. Gas revenues increased $198.8 million, or 107%, in the third quarter of 2000. An increase in the average price of $1.48 per Mcf, or 69%, increased gas revenues by $157.2 million. An increase in production of 19.4 Bcf, or 22%, caused gas revenues to increase by $41.6 million in the 2000 quarter. Of the 19.4 Bcf increase in production, the PennzEnergy merger accounted for 18.5 Bcf of gas production in the 2000 period compared to the 1999 period. The 2000 quarter included three months of production while the 1999 quarter only included production for 1 1/2 months. In addition to the production added by the PennzEnergy merger, 1.4 Bcf of gas production was added by the August 1999 and January 2000 acquisitions of certain proved domestic properties. Gas production at Devon's other domestic properties increased 4.1 Bcf due primarily to additional development and acquisitions of other domestic properties, net of natural decline and the disposition of certain proved properties.

Canadian gas production decreased 4.3 Bcf, or 23%, in 2000's third quarter. Natural decline, increased royalty rates and dispositions of certain proved properties, partially offset by new production from new drilling and acquisitions of certain proved properties, were the primary reasons for the production decline. In Canada, the royalty rate goes up and down with gas prices and represents the government's share of gross production.

Gas revenues increased $564.7 million, or 152%, in the first nine months of 2000. An increase in the average price of $1.10 per Mcf, or 59%, increased gas revenues by $348.7 million. An increase in production of 116.1 Bcf, or 58%, caused gas revenues to increase by $216.0 million in the 2000 quarter. Of the 116.1 Bcf increase in production, the PennzEnergy merger accounted for 88.9 Bcf of gas production in the 2000 period compared to the 1999 period. The 2000 period included nine months of production while the 1999 period only included production for 1 1/2 months. In addition to the production added by the PennzEnergy merger, 4.1 Bcf of gas production was added by the August 1999 and January 2000 acquisitions of certain proved domestic properties and
10.4 Bcf of gas production was added by the Snyder merger. Devon's other domestic properties added 22.9 Bcf of gas production due primarily to additional development and acquisitions of other domestic properties, net of natural declines and the disposition of certain proved properties.

Canadian gas production decreased 9.6 Bcf, or 17%, in the first nine months of 2000. Natural decline, increased royalty rates and dispositions of certain proved properties, partially offset by new production from new drilling and acquisitions of certain proved properties, were the primary reasons for the production decline.

NGL REVENUES. NGL revenues increased $16.7 million, or 89%, in the third quarter of 2000. An increase in the average price of $7.78 per barrel, or 59%, caused NGL revenues to increase $13.1 million in the 2000 quarter. An increase in production of 270,000 barrels, or 19%, caused NGL revenues to increase by $3.6 million in the 2000 quarter. Of the 270,000 barrel increase in production, the PennzEnergy merger accounted for 415,000 barrels of NGL production in the 2000 period compared to the 1999 period. The 2000 quarter included three months of production while the 1999 quarter only included production for 1 1/2 months. This increase was partially offset by a 145,000 barrel decline in third quarter 2000 production from Devon's other properties. Natural decline was the primary cause for the decline in these properties' 2000 quarterly production.

NGLs revenues increased $74.0 million, or 229%, in the first nine months of 2000. An increase in the average price of $8.76 per barrel, or 80%, caused NGLs revenues to increase $47.2 million in the first nine months of 2000. An increase in production of 2.4 million barrels, or 83%, caused NGLs revenues to increase by $26.8 million in the year-to-date period. Of the 2.4 million barrel increase in production, the PennzEnergy merger accounted for 2.7 million barrels of NGL production in the 2000 period compared to the 1999 period. The 2000 period included nine months of production while the 1999 period only included production for 1 1/2 months. This increase was partially offset by a 0.3 million barrel decline in 2000 production from Devon's other properties. Natural decline was the primary cause for the decline in these properties' 2000 production.

OTHER REVENUES. Other revenues increased $24.3 million, or 448%, in the third quarter of 2000 compared to the same period in 1999. Increases in third party gas processing income and interest income as well as a non-recurring gain on the sale of investments were the primary reasons for the substantial increase in other revenues. Additionally, 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. The 1999 period included $2.1 million of dividend income on these same shares.

Other revenues increased $43.5 million, or 399% in the first nine months of 2000 compared to the first nine months of 1999. Increases in third party gas processing income and interest income as well as a non-recurring gain on the sale of investments were the primary reasons for the substantial increase in other revenues. Additionally, the 2000 period included $13.8 million of dividend income from the 7.1 million shares of Chevron Corporation common stock acquired in the PennzEnergy merger. The 1999 period included $2.1 million of dividend income on these same shares.

PRODUCTION AND OPERATING EXPENSES. The components of production and operating expenses are set forth in the following tables.

	TOTAL					
	THREE MONTHS ENDED SEPTEMBER 30,			NINE MONTHS ENDED SEPTEMBER 30,		
	2000	1999	CHANGE	2000	1999	CHANGE
ABSOLUTE (Thousands)						
Recurring operations and maintenance expenses	$107,568	81,065	+33%	325,483	193,673	+68%
Well workover expenses	6,467	1,781	+263%	12,439	4,993	+149%
Production taxes	26,252	13,151	+100%	66,242	25,366	+161%
Total production and operating expenses	$140,287	95,997	+46%	404,164	224,032	+80%
PER BOE						
Recurring operations and maintenance expenses	3.64	3.33	+10%	3.60	3.36	+7%
Well workover expenses	0.22	0.07	+214%	0.14	0.09	+59%
Production taxes	0.89	0.54	+65%	0.73	0.44	+67%
Total production and operating expenses	$ 4.75	3.94	+21%	4.47	3.89	+15%

	DOMESTIC					
	THREE MONTHS ENDED SEPTEMBER 30,			NINE MONTHS ENDED SEPTEMBER 30,		
	2000	1999	CHANGE	2000	1999	CHANGE
ABSOLUTE (Thousands)						
Recurring operations and maintenance expenses	$ 80,031	53,217	+50%	237,676	112,915	+110%
Well workover expenses	5,991	1,415	+323%	11,646	3,683	+216%
Production taxes	25,835	12,684	+104%	65,101	24,041	+171%
Total production and operating expenses	$111,857	67,316	+66%	314,423	140,639	+124%
PER BOE						
Recurring operations and maintenance expenses	3.47	3.12	+11%	3.38	3.13	+8%
Well workover expenses	0.26	0.08	+213%	0.17	0.10	+62%
Production taxes	1.12	0.74	+51%	0.92	0.67	+39%
Total production and operating expenses	$ 4.85	3.94	+23%	4.47	3.90	+15%

CANADA						
	THREE MONTHS ENDED SEPTEMBER 30,			NINE MONTHS ENDED SEPTEMBER 30,		
	2000	1999	CHANGE	2000	1999	CHANGE
ABSOLUTE (Thousands)						
Recurring operations and maintenance expenses	$13,129	12,048	+9%	38,103	36,558	+4%
Well workover expenses	186	166	+12%	437	910	-52%
Production taxes	295	367	-20%	819	1,025	-20%
Total production and operating expenses	$13,610	12,581	+8%	39,359	38,493	+2%
PER BOE						
Recurring operations and maintenance expenses	3.45	2.58	+34%	3.18	2.63	+21%
Well workover expenses	0.05	0.04	+25%	0.04	0.07	-43%
Production taxes	0.08	0.08	0%	0.07	0.07	0%
Total production and operating expenses	$ 3.58	2.70	+33%	3.29	2.77	+19%

INTERNATIONAL						
	THREE MONTHS ENDED SEPTEMBER 30,			NINE MONTHS ENDED SEPTEMBER 30,		
	2000	1999	CHANGE	2000	1999	CHANGE
ABSOLUTE (Thousands)						
Recurring operations and maintenance expenses	$14,408	15,800	-9%	49,704	44,200	+12%
Well workover expenses	290	200	+45%	356	400	-11%
Production taxes	122	100	+22%	322	300	+7%
Total production and operating expenses	$14,820	16,100	-8%	50,382	44,900	+12%
PER BOE						
Recurring operations and maintenance expenses	5.43	5.97	-9%	6.26	5.76	+9%
Well workover expenses	0.11	0.08	+38%	0.04	0.05	-20%
Production taxes	0.05	0.04	+22%	0.04	0.04	+4%
Total production and operating expenses	$ 5.59	6.09	-8%	6.34	5.85	+8%

Recurring operations and maintenance expenses increased $26.5 million, or 33%, in the third quarter of 2000. Domestic expenses increased $26.8 million in the 2000 quarter. Of the $26.8 million increase in domestic expenses, the PennzEnergy merger accounted for $22.2 million of expenses in the 2000 period compared to the 1999 period. The 2000 quarter included three months of expenses while the 1999 quarter only included expenses for 1 1/2 months. In addition to the costs added by the PennzEnergy merger, $2.0 million of costs was added by the August 1999 and January 2000 acquisitions of certain proved domestic properties. Other than the added costs from these acquisitions, Devon's domestic properties' recurring costs increased $2.6 million in the third quarter of 2000 primarily related to increased ad valorem taxes in the 2000 period. Since ad valorem taxes are generally assessed on current estimated value and due to the improved oil and gas pricing, ad valorem tax has been increased to reflect the additional value.

Recurring operations and maintenance expenses in Canada increased $1.1 million in the third quarter of 2000 primarily related to higher energy costs. International recurring operations and maintenance expenses decreased $1.4 million primarily due to rental proceeds received on some of its non-producing properties.

Production taxes increased $13.1 million, or 100%, 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 102% increase in domestic oil, gas and NGL revenues in the third quarter of 2000 was the primary cause of the production tax increase.

Recurring operations and maintenance expenses increased $131.8 million, or 68%, in the first nine months of 2000. Domestic expenses increased $124.8 million in the 2000 period. Of the $124.8 million increase in domestic expenses, the PennzEnergy merger accounted for $74.2 million of expenses in the 2000 period compared to the 1999 period. The 2000 period included nine months of expenses while the 1999 period only included expenses for 1 1/2 months. In addition to the costs added by the PennzEnergy merger, $8.7 million of costs was added by the August 1999 and January 2000 acquisitions of certain proved domestic properties and $7.7 million added by the Snyder merger. Other than the added costs from these acquisitions, Devon's domestic properties' recurring costs increased $34.2 million in the first nine months of 2000 primarily as a result of increased production and higher costs related to the increased oil and gas prices such as ad valorem taxes and energy costs.

Recurring operations and maintenance expenses in Canada increased $1.5 million in the 2000 period primarily due to higher energy costs. International expenses increased $5.5 million. Of the $5.5 million increase in international expenses, the PennzEnergy merger accounted for $2.3 million of expenses in the 2000 period compared to the 1999 period. The 2000 period included nine months of expenses while the 1999 period only included expenses for 1 1/2 months. The remainder of the increase was primarily due to increased production, higher operating and maintenance costs and adverse currency fluctuations.

Production taxes increased $40.9 million, or 161%, in the first nine months 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 200% increase in domestic oil, gas and NGL revenues in the first nine months 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 oil and 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 $30.5 million, or 23%, from $132.2 million in the third quarter of 1999 to $162.7 million in the third quarter of 2000. An increase in the combined DD&A rate from $5.42 per Boe in the 1999 quarter to $5.51 per Boe in the 2000 quarter caused oil and gas property related DD&A to increase $2.6 million. DD&A increased $27.9 million in the 2000 quarter due to the 21% increase in combined oil, gas and NGLs production in the 2000 quarter.

Oil and gas property related DD&A increased $238.9 million, or 97%, from $247.2 million in the first nine months of 1999 to $486.1 million in the first nine months of 2000. An increase in the combined DD&A rate from $4.29 per Boe in the year-to-date 1999 period to $5.38 per Boe in the year-to-date 2000 period caused oil and gas property related DD&A to increase $98.9 million. The increase in the DD&A rate was primarily the result of the Snyder and PennzEnergy mergers in 1999. DD&A increased $140.0 million in the year-to-date 2000 period due to the 57% increase in combined oil, gas and NGLs production in the first nine months of 2000.

Non-oil and gas property DD&A expense increased $3.6 million to $7.5 million in the third quarter of 2000 compared to $3.9 million the second quarter of 1999. Non-oil and gas property DD&A expense increased $13.0 million to $21.5 million in the first nine months of 2000 compared to $8.5 million in the first nine months of 1999. Depreciation of the non-oil and gas properties acquired in the Snyder and PennzEnergy mergers 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 $346.8 million of goodwill. The goodwill was allocated $315.2 million to domestic properties and $31.6 million to international properties. The goodwill is being amortized using the units-of-production method. Substantially all of the $10.4 million and $31.1 million of amortization recognized in the third quarter and first nine months 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 third quarter and first nine months of 2000 and 1999.

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(IN THOUSANDS)			
Gross G&A	$ 52,888	45,233	158,054	98,916
Capitalized G&A	(17,416)	(8,725)	(45,918)	(18,639)
Reimbursed G&A	(10,168)	(10,470)	(37,959)	(27,464)
Net G&A	$ 25,304	26,038	74,177	52,813

Net G&A decreased $0.7 million, or 3%, in the third quarter of 2000 and increased $21.4 million, or 40%, in the first nine months of 2000 compared to the same periods of 1999, respectively. Gross G&A increased $7.7 million and $59.1 million, or 17% and 60%, in the third quarter and first nine months of 2000 compared to the same periods of 1999, respectively. The increase in gross expenses in the third quarter and first nine months of 2000 was primarily related to additional costs incurred as a result of the 1999 Snyder and PennzEnergy mergers.

Net G&A was reduced $8.7 million and $27.3 million in the third quarter and first nine months of 2000, respectively, due to an increase in the amount capitalized as part of oil and gas properties. G&A was also reduced $10.5 million in the first nine months of 2000, by an increase in the amount of reimbursements on operated properties in the 2000 period. G&A was increased by $0.3 million in the third quarter of 2000, by a slight decline in the amount of reimbursements on operated properties in the 2000 period. The increase in capitalized and reimbursed G&A was primarily related to the Snyder and PennzEnergy mergers.

INTEREST EXPENSE. Interest expense increased $6.1 million, or 18%, in 2000's third quarter. An increase in the average debt balance outstanding from $1.9 billion in the third quarter of 1999 to $2.4 billion in the third quarter of 2000 caused interest expense to increase by $9.0 million. A decline in the average annualized interest rate from 7.0% in the third quarter of 1999 to 6.7% in the third quarter of 2000 caused interest expense to decrease by $1.3 million. The remaining decrease of $1.6 million was caused by other factors as shown in the following table.

Interest expense increased $56.5 million, or 87%, in the first nine months of 2000. An increase in the average debt balance outstanding from $1.2 billion in the first nine months of 1999 to $2.4 billion in the first nine months of 2000 caused interest expense to increase by $61.2 million. A decline in the average annualized interest rate from 7.0% in the first nine months of 1999 to 6.8% in the first nine months of 2000 caused interest expense to decrease by $1.5 million. The remaining decrease of $3.2 million was caused by other factors as shown in the following table.

The increase in average debt outstanding in the third quarter and first nine months of 2000 was attributable to the long-term debt assumed in the Snyder and PennzEnergy mergers on May 5, 1999 and August 17, 1999, respectively.

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2000	1999	2000	1999
	(IN THOUSANDS)			
Interest based on debt outstanding	$ 41,217	33,485	123,261	63,569
Amortization of debt premiums	(945)	--	(2,891)	--
Facility and agency fees	539	892	2,361	1,391
Amortization of capitalized loan costs	367	281	1,261	746
Capitalized interest	(931)	(200)	(2,473)	(800)
Other	198	(99)	(123)	32
Total interest expense	$ 40,445	34,359	121,396	64,938

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 third quarter and first nine months 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.

REDUCTION OF CARRYING VALUE OF OIL AND GAS PROPERTIES. Under the full-cost method of accounting, the net book value of oil and gas properties, less related deferred income taxes, may not exceed a calculated "ceiling." The ceiling limitation is the discounted estimated after-tax future revenues from proved oil and gas properties. The ceiling is imposed separately by country. In calculating future net revenues, current prices and costs are generally held constant indefinitely. The net book value, less deferred tax liabilities, is compared to the ceiling on a quarterly and annual basis. Any excess of the net book value, less deferred taxes, above the ceiling is written off as an expense.

After the Snyder merger, Devon's net book value, less deferred taxes, of its domestic oil and gas properties exceeded the June 30, 1999, ceiling by approximately $301.7 million. Accordingly, the carrying value of Devon's domestic oil and gas properties was reduced by $463.8 million in the second quarter of 1999. This reduction was partially offset by a deferred income tax benefit of $162.1 million, resulting in a net effect of $301.7 million.

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 nine-month periods ended September 30, 2000 and 1999 were not materially different after excluding the effect of the reduction of carrying value of oil and gas properties discussed above. The estimated effective tax rate in the third quarter of 2000 was 39% compared to 38% in the third quarter of 1999. The estimated effective tax rate in the first nine months of 2000 was 40% compared to an estimated tax benefit of 31% for the first nine months of 1999. The benefit rate in 1999 was below the federal statutory rate of 35% due to certain financial expenses related to the full-cost writedown which were incurred but are not deductible for tax purposes. Excluding the effect of the full-cost writedown, the effective tax rate for the first nine months of 1999 was 41%.

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

Included as deferred tax assets as of September 30, 2000, were approximately $296 million related to various carryforwards available to offset future income taxes. 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, and Canadian carryforwards which expire primarily between 2000 and 2005. Devon expects the tax benefits from the net operating loss carryforwards to be utilized between 2000 and 2006. Such expectation is based upon current estimates of taxable income during this period, considering limitations on the annual utilization of these benefits as set forth by federal tax regulations. Significant changes in such estimates caused by variables such as future oil and gas prices or capital expenditures could alter the timing of the eventual utilization of such carryforwards. There can be no assurance that Devon will generate any specific level of continuing taxable earnings. However, Devon's management believes that future taxable income will more likely than not be sufficient to utilize substantially all its tax carryforwards prior to their expirations.

CAPITAL EXPENDITURES, CAPITAL RESOURCES AND LIQUIDITY

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

CAPITAL EXPENDITURES. Approximately $948.0 million was spent in the first nine months of 2000 for capital expenditures. This total included $881.3 million for the acquisition, drilling and development of oil and gas properties, $29.0 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 $37.7 million for other fixed assets.

Approximately $690.7 million was spent for capital expenditures in the first nine months of 1999. This total included $625.6 million for the acquisition, drilling and development of oil and gas properties, $58.7 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 $6.4 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 nine months of 2000. Operating cash flow in the first nine months was $1.1 billion, compared to $415.2 million in the first nine months of 1999. The increase in operating cash flow in the first nine months 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 nine 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 the proceeds from the late-June issue of convertible debentures, were used to retire long-term debt. At September 30, 2000, Devon's availability under its $1.0 billion long-term credit facilities totaled $698 million.

On August 29, 2000, Devon increased its borrowing availability under its unsecured long-term credit facilities (the "Credit Facilities") from $750 million to $1 billion. The Credit Facilities include a U.S. facility of $725 million (the "U.S. Facility") and a Canadian facility of $275 million (the "Canadian Facility").

Amounts borrowed under the Credit Facilities bear interest at various fixed rate options that Devon may elect for periods up to six months. Such rates are generally less than the prime rate. Devon may also elect to borrow at the prime rate. The Credit Facilities provide for an annual facility fee of $0.9 million that is payable quarterly.

The $725 million U.S. Facility consists of a Tranche A facility of $200 million and a Tranche B facility of $525 million. The Tranche A facility matures on October 15, 2004. Devon may borrow funds under the Tranche B facility until August 28, 2001 (the "Tranche B Revolving Period"). Devon may request that the Tranche B Revolving Period be extended an additional 364 days by notifying the agent bank of such request between 30 and 60 days prior to the end of the Tranche B Revolving Period. Debt borrowed under the Tranche B facility matures two years and one day following the end of the Tranche B Revolving Period. On September 30, 2000, there were no borrowings under the $725 million U.S. Facility.

Devon may borrow funds under the $275 million Canadian Facility until August 28, 2001 (the "Canadian Facility Revolving Period"). Devon may request that the Canadian Facility Revolving Period be extended an additional 364 days by notifying the agent bank of such request between 45 and 90 days prior to the end of the Canadian Facility Revolving Period. Debt outstanding as of the end of the Canadian Facility Revolving Period is payable in semi annual installments of 2.5% each for the following five years, with the final installment due five years and one day following the end of the Canadian Facility Revolving Period. On September 30, 2000, there was $142.7 million borrowed under the $275 million Canadian facility.

Under the terms of the Credit Facilities, Devon has the right to reallocate up to $100 million of the unused Tranche B facility maximum credit amount to the Canadian Facility. Conversely, Devon also has the right to reallocate up to $100 million of unused Canadian Facility maximum credit amount to the Tranche B Facility.

The agreements governing the Credit Facilities contain certain covenants and restrictions, including a maximum allowed debt-to-capitalization ratio as defined in the agreements.

On August 29, 2000, Devon entered into a commercial paper program with Goldman, Sachs & Co. and Chase Securities Inc. as the dealers. Devon may borrow up to $725 million under the commercial paper program. Total borrowings under the U.S. credit facility and the commercial paper program may not exceed $725 million. The commercial paper borrowings may have terms of up to 365 days and will bear interest at rates agreed to at the time of the borrowing. The interest rate will be based on a standard index such as the Federal Funds Rate, London Interbank Offered Rate (LIBOR), or the money market rate as found on the commercial paper market. As of September 30, 2000, Devon had $159.6 million of borrowings under its commercial paper program at an average rate of 6.85%.

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 debenture holder 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 Devon 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 down other domestic long-term debt.

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. However, it is anticipated that adoption of SFAS 133 will not have a material effect on Devon's financial condition and operations.

REVISIONS TO 2000 ESTIMATES

On September 19, 2000, Devon filed a Form 8-K that contained forward-looking estimates for the year 2000 including the effect of the August 29, 2000, Santa Fe Snyder merger. Subsequently, revisions were made in other income and general and administrative expenses. As a result of these revisions, the forward-looking information contained in the September 19, 2000, Form 8-K with regard to 2000 other income and G&A expense is no longer applicable and is replaced by the following revised information.

The following revised forward-looking statement regarding other income and G&A expense is based on data in Devon's possession and actual results for the first nine months of 2000.

OTHER REVENUES. Devon's other revenues in 2000 are expected to be between $64 million and $68 million. Approximately $23.4 million of 2000's expected other revenues is from third party gas processing and $18.5 million of 2000's expected other revenues is from dividends on Devon's investment of 7.1 million shares of Chevron Corporation common stock.

GENERAL AND ADMINISTRATIVE EXPENSES ("G&A"). Devon's G&A includes the costs of many different goods and services used in support of its business. These goods and services are subject to general price level increases or decreases. In addition, Devon's G&A varies with its level of activity and the related staffing needs as well as with the amount of professional services required during any given period. Should Devon's needs or the prices of the required goods and services differ significantly from current expectations, actual G&A could vary materially from the estimate. Given these limitations, consolidated net G&A in 2000 is expected to be between $95 million and $100 million.

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 combined financial statements, footnotes and management's discussion and analysis of financial condition and results of operations for the three-year period ended December 31, 1999, as restated for the pooling accounting method of the Santa Fe Snyder merger, filed in a Form 8-K on November 13, 2000, 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 September 30, 2000, there have been no material changes in Devon's market risk exposure from that disclosed in the Form 8-K referenced above.

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) A special meeting of shareholders was held in Oklahoma City, Oklahoma at 10:00 a.m. local time, on Tuesday, August 29, 2000.

(b) Out of a total 87,015,045 shares of the Company's common stock outstanding and entitled to vote 78,589,479 shares were present at the meeting in person or by proxy, representing approximately 90 percent of the total outstanding. The matters voted upon at the meeting were (1) to approve the merger agreement and the merger dated as of May 25, 2000 between Devon and Santa Fe Snyder Corporation, and the transactions contemplated by it, including the issuance of Devon common stock in the merger; and (2) to approve a stock option plan amendment which increased the number of shares available for grant under that plan from six million to ten million. The vote tabulation with respect to each proposal was as follows:

	Proposal One	Proposal Two
FOR:	73,036,317	63,618,428
AUTHORITY WITHHELD:	187,352	170,556

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.

10.1 Severance Agreement between Registrant and James L. Payne dated August 29, 2000

27 Financial Data Schedule

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

Filing Date	Contents
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).
August 29, 2000	Press release concerning completion of the merger with Santa Fe Snyder.
September 12, 2000	Announcement of the Santa Fe Snyder merger and update of the pro forma financial information through June 30, 2000.
September 13, 2000	Announcement of the Santa Fe Snyder merger (a Form 8-K/A was filed September 22, 2000, retracting all information in the September 13, 2000, Form 8-K).
September 19, 2000	Revision to 2000 forward looking estimates.
October 26, 2000	Press release concerning the third quarter 2000 earnings announcement.
October 26, 2000	Announcement concerning the expiration of the affiliates' risk period.
November 13, 2000	Combined financial statements, footnotes and management's discussion and analysis of financial condition and results of operations for the three-year period ended December 31, 1999, as restated for the pooling accounting method of the Santa Fe Snyder merger

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: November 14, 2000	*/s/ Danny J. Heatly*

	Danny J. Heatly
	Vice President - Accounting

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
10.1	Severance Agreement between Registrant and James L. Payne dated August 29, 2000
27	Financial Data Schedule (filed electronically only)

EXHIBIT 10.1

SEVERANCE AGREEMENT

SEVERANCE AGREEMENT (the "Agreement") entered into among Devon Energy Corporation (the "Company") and James L. Payne (the "Executive"), dated August 29, 2000.

WHEREAS, the Company has entered into that certain Agreement and Plan of Merger by and among Devon Energy Corporation, Devon Merger Corporation, and Santa Fe Snyder Corporation ("SFS"), dated as of May 25, 2000 (the "Merger Agreement"); and

WHEREAS, the parties entering into this Agreement are contemplated under the Merger Agreement; and

WHEREAS, the Executive is a key management employee of SFS; and

WHEREAS, it is in the best interests of the Company and its shareholders to induce the Executive to remain in the employ of SFS through the Closing (as defined in the Merger Agreement) and to then accept employment with the Company; and

WHEREAS, the Company desires to induce the Executive to accept employment with the Company on the Closing by providing to him additional amounts of compensation in the event of his termination of employment with the Company following the Closing for the reasons specified herein; and

WHEREAS, the Executive desires to continue his employment with SFS through the Closing and to accept employment with the Company on the Closing as provided herein.

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

1. Operation of Agreement. The purpose of this Agreement is to provide to the Executive additional amounts of compensation in the event of the termination of his employment with the Company following the Closing and prior to his 65th birthdate for the reasons specified herein. Accordingly, the Company and the Executive have entered into this Agreement in accordance with the terms and provisions herein to provide such protection to the Executive. For the purposes of this Agreement, where the following capitalized words and phrases appear in this Agreement, they shall have the meanings set forth below unless a difference context is clearly expressed herein.

(a) Disability. "Disability" shall mean a mental or physical impairment of the Executive that entitles the Executive to disability benefits under a long-term disability plan of the Company or an affiliate.

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

(i) the assignment to the Executive of any duties inconsistent in any respect with the Executive's position (including status, office, titles and reporting requirements -- in this regard the Executive shall report solely to the Chief Executive Officer of the Company), authority, duties, or responsibilities as Vice Chairman of the Company responsible for all international operations of the Company and its subsidiaries and affiliates, or any other action by the Company which results in a diminution in the Executive's position, compensation, authority, duties or responsibilities, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(ii) any failure by the Company to comply with any of the provisions of this Agreement, other than an isolated, insubstantial and inadvertent failure not occurring in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Executive;

(iii) the Company's requiring the Executive to be based at any office or location other than that which he occupied with SFS at the Effective Date, or within 25 miles of such location, except for periodic travel reasonably required in the performance of the Executive's responsibilities with the Company;

(iv) any purported termination by the Company of the Executive's employment otherwise than as expressly permitted by this Agreement; and

(v) any failure by the Company to comply with and satisfy Section 11(a) of this Agreement.

2. Agreement Not Employment Contract. This Agreement shall be considered solely as a "severance agreement" obligating the Company to pay to the Executive certain amounts of compensation in the event and only in the event of his termination of employment on or after the date of the Closing for the reasons and at the times specified herein. Apart from the obligation of the Company to provide the amounts of additional compensation as provided in this Agreement, the Company shall at all times retain the right to terminate the employment of the Executive since the obligation of the Company to the Executive shall only be considered as an employment relationship which exists between the Company and the Executive which may be terminated at will by either party subject to the obligation of the Company to make payment as provided in this Agreement.

3. Termination of Agreement. This Agreement shall terminate upon the first to occur of the following events:

(a) Cause. The termination of the Executive's employment by the Company for "Cause." For purposes of this Agreement, termination of the Executive's employment by the Company for Cause shall mean termination for one of the following reasons: (i) the conviction of the Executive of a felony by a federal or state court of competent jurisdiction; (ii) an act or acts of dishonesty taken by the Executive and intended to result in substantial personal enrichment of the

Executive at the expense of the Company or its shareholders; or (iii) the Executive's "willful" failure to follow a direct lawful written order from the Chief Executive Officer of the Company within the reasonable scope of the Executive's duties, which failure is not cured by the Executive within 30 days after the receipt of written notice thereof given by the Company. Further, for purposes of this Section 3(a): (1) no act, or failure to act, on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's action or omission was in the best interest of the Company, and (2) the Executive shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Executive a copy of the resolution duly adopted by the affirmative vote of not less than three-fourths of the entire membership of the Board of Directors of the Company (the "Board") at a meeting of the Board called and held for such purpose (after reasonable notice to the Executive and an opportunity for the Executive, together with the Executive's counsel, to be heard before the Board), finding that in the good faith opinion of the Board the Executive was guilty of conduct set forth in clauses (i), (ii), or (iii) above and specifying the particulars thereof in detail.

(b) Voluntary Termination. The Executive terminates his employment other than for death, Good Reason or Disability.

(c) Age 65. The Executive attains the age of 65 years.

Notwithstanding any provision in this Agreement to the contrary, termination of this Agreement shall not alter or impair any rights or benefits of the Executive (or his Beneficiary) (as defined below) that have arisen under this Agreement on or prior to such termination.

4. Notice of Termination of Employment. Any termination of employment by the Company for Cause or by the Executive for Good Reason or Disability shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 13 of this Agreement. For purposes of this Agreement, a "Notice of Termination" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and
(iii) if the termination date of the Executive's employment is other than the date of receipt of such notice, specifies the termination date (which date shall be not more than 15 days after the giving of such notice).

5. Obligations of the Company Upon Termination On or Following the Acquisition Date. If, during the term of this Agreement, (i) the Company shall terminate the Executive's employment for any reason other than for Cause, (ii) the employment of the Executive shall be terminated by the Executive for Good Reason or a Disability, or (iii) the Executive shall die, then the Company shall pay to the Executive (or his Beneficiary) in a lump sum, in cash within 30 days after the date of termination of employment, an amount equal to the sum of (1) the Executive's highest annual base salary with the Company or SFS, and (2) a bonus equal to 140% of such highest annual base salary.

6. Certain Additional Payments by the Company.

(a) Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, including, by way of example and not by way of limitation, acceleration of the date of vesting, payment, rate of payment or right to future payment under any plan, program or arrangement of the Company (a "Payment"), would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are hereinafter collectively referred to as the "Excise Tax"), then the Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by the Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, the Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payments.

(b) Subject to the provisions of Section 6(c), all determinations required to be made under this Section 6, including whether a Gross-Up Payment is required and the amount of such Gross-Up Payment, shall be made by KPMG LLP (the "Accounting Firm") which shall provide detailed supporting calculations both to the Company and the Executive within 15 business days of the receipt of notice from the Executive that there has been a Payment which would be subject to the Excise Tax, or such earlier time as is requested by the Company. The initial Gross-Up payment, if any, as determined pursuant to this
Section 6(b), shall be paid to the Executive within five days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by the Executive, it shall furnish the Executive with an opinion that he has substantial authority not to report any Excise Tax on his federal income tax return. Any determination by the Accounting Firm shall be binding upon the Company and the Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payment which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to
Section 6(c) and the Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Executive.

(c) The Executive shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but not later than ten business days after the Executive knows of such claim, and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. The Executive shall not pay such claim prior to the expiration of the 30-day period following the date on which the Executive gives such notice to the Company (or such shorter period ending on the date that any payment of taxes which respect to such claim is due). If the Company notifies the Executive in writing prior to the expiration of such period that it desires to contest such claim, the Executive shall:

(i) give the Company any information reasonably requested by the Company relating to such claim,

(ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,

(iii) cooperate with the Company in good faith in order effectively to contest such claim, and

(iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Executive harmless, on an after-tax basis, for any Excise Tax or other taxes, including interest and penalties with respect thereto, imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Section 6(c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct the Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner. The Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Executive to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Executive, on an interest-free basis and shall indemnify and hold the Executive harmless, on an after-tax basis, from any Excise Tax or other taxes, including interest or penalties with respect thereto, imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statue of limitations relating to payment of taxes for the taxable year of the Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

(d) If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 6(c), the Executive becomes entitled to receive any refund with respect to such claim, the Executive shall (subject to the Company's complying with the requirements of Section 6(c)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by the Executive of an amount advanced by the Company pursuant to Section 6(c), a determination is made that the Executive shall not be entitled to any refund with respect to such claim and the Company does not notify the Executive in writing of its intent to contest such denial or refund prior to the expiration of thirty days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent thereof, the amount of Gross-Up Payment required to be paid.

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

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

9. Confidential Information.

(a) Requirement of Executive. The Executive shall hold in a fiduciary capacity for the benefit of the Company all secret or confidential information, knowledge or data relating to the Company or any of its affiliated companies, and their respective businesses, which shall have been obtained by the Executive during the Executive's employment by the Company or any of its affiliated companies and which shall not be public knowledge (other than by acts by the Executive or his representatives in violation of this Agreement). After termination of the Executive's employment with the Company, the Executive shall not, without the prior written consent of the Company, communicate or divulge any such information, knowledge or data to anyone other than the Company and those designed by it. In no event shall an asserted violation of the provisions of this Section 9 constitute a basis for deferring or withholding any amounts otherwise payable to the Executive under this Agreement.

(b) Additional Remedies. The Executive agrees that the remedy at law for any breach or threatened breach of any covenant contained in this Section 9 may be inadequate, and that the Company, in addition to such other remedies as may be available to it, in law or in equity, shall be entitled to injunctive relief without bond or other security pending arbitration under
Section 10.

10. Arbitration: Legal Fees and Expenses. The parties agree that the Executive's employment and this Agreement relate to interstate commerce, and that any disputes, claims or

controversies between the Executive and the Company which may arise out of or relate to the Executive's employment relationship or this Agreement shall be settled by arbitration. This agreement to arbitrate shall survive the termination of this Agreement. Any arbitration shall be in accordance with the Rules of the American Arbitration Association and shall be undertaken pursuant to the Federal Arbitration Act. Arbitration will be held in Oklahoma City, Oklahoma unless the parties mutually agree on another location. The decision of the arbitrator(s) will be enforceable in any court of competent jurisdiction. The parties agree that punitive, liquidated or indirect damages shall not be awarded by the arbitrator(s). Nothing in this agreement to arbitrate, however, shall preclude the Company from obtaining injunctive relief from a court of competent jurisdiction prohibiting any on-going breaches by Executive of this Agreement including, without limitation, violations of Section 9. If any contest or dispute shall arise between the Company and the Executive regarding any provision of this Agreement, the Company shall reimburse the Executive for all legal fees and expenses reasonably incurred by the Executive in connection with such contest or dispute, but only if the Executive is successful in respect of one or more of the Executive's material claims or defenses brought, raised or pursued in connection with such contest or dispute. Such reimbursement shall be made as soon as practicable following the resolution of such contest or dispute to the extent the Company receives reasonable written evidence of such fees and expenses.

11. Successors and Binding Effect.

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

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

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

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

If to the Executive:

James L. Payne
840 Gessner, Suite 1400
Houston, TX 77024

If to the Company:

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

Attn: President and Chief Executive Officer

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

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

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

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

17. Entire Agreement. This Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes any and all prior or contemporaneous oral and prior written agreements and understandings.

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

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

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

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

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

"EXECUTIVE" *"/s/ James L. Payne"*

James L. Payne

"COMPANY" DEVON ENERGY CORPORATION

By: /s/ J. Larry Nichols

J. Larry Nichols
President and Chief Executive Officer

ARTICLE 5

PERIOD TYPE	9 MOS	9 MOS
FISCAL YEAR END	DEC 31 2000	DEC 31 1999
PERIOD END	SEP 30 2000	SEP 30 1999
CASH	178,647	0
SECURITIES	0	0
RECEIVABLES	467,393	0
ALLOWANCES	0	0
INVENTORY	54,966	0
CURRENT ASSETS	784,486	0
PP&E	9,367,282	0
DEPRECIATION	4,611,753	0
TOTAL ASSETS	6,750,516	0
CURRENT LIABILITIES	611,388	0
BONDS	2,202,137	0
PREFERRED MANDATORY	0	0
PREFERRED	1,500	0
COMMON	12,826	0
OTHER SE	2,949,355	0
TOTAL LIABILITY AND EQUITY	6,570,516	0
SALES	1,848,762	438,427
TOTAL REVENUES	1,903,200	749,329
CGS	0	0
TOTAL COSTS	0	0
OTHER EXPENSES	404,164	224,032
LOSS PROVISION	0	0
INTEREST EXPENSE	121,396	64,938
INCOME PRETAX	705,111	(327,064)
INCOME TAX	281,678	(102,205)
INCOME CONTINUING	423,433	(224,859)
DISCONTINUED	0	0
EXTRAORDINARY	0	(4,200)
CHANGES	0	0
NET INCOME	423,433	(229,059)
EPS BASIC	3.27	0.87
EPS DILUTED	3.20	0.86

End of Filing