

Former Ocean Energy Shareholders

TAX BASIS IN DEVON SHARES

The tax basis of your Ocean Energy stock surrendered is substituted for the tax basis in the Devon stock received in the transaction. You received 0.414 share of Devon for each share of Ocean Energy stock surrendered. Therefore, your basis in each Devon common share is calculated by dividing your basis in each Ocean Energy share by 0.414. For example, if your basis in each Ocean Energy share was \$10, then your basis in each Devon share would be \$24.15.

Fractional Shares

No fractional shares of Devon stock were issued. Therefore, holders of Ocean Energy shares received cash in lieu of such shares. A holder who received cash with respect to the fractional share is treated as having received such fractional Devon share pursuant to the merger and then as having sold such fractional share for cash. In these cases, you will need to calculate your tax basis on the fractional shares for which proceeds are received in order to determine the amount of gain or loss with respect to the fractional shares.

Example: Shareholder owns 50 shares of Ocean Energy with a tax cost basis of \$10 per share. Upon conversion, the shareholder received 20 shares of Devon and proceeds from the sale of .70 share of Devon. The fractional share of Devon stock multiplied by your new tax basis per share of Devon Energy = fractional share tax basis (.70 share stock x \$24.15 = \$16.91).

Accordingly, the shareholder's taxable gain or loss would be the amount by which the proceeds received for such fractional share exceed or are less than the \$16.91 basis. You would have received a form 1099B for tax year 2003 that identified the fractional share amount.