UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K-A

AMENDMENT NO. 1
TO
CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported): December 17, 2001

COMSTOCK RESOURCES, INC.
(Exact name of registrant as specified in its charter)

STATE OF NEVADA	000-16741	94-1667468
(State or other jurisdiction incorporation)	(Commission of File Number)	(I.R.S. Employer Identification Number)

5300 Town And Country Boulevard
Suite 500
Frisco, Texas 75034
(Address of principal executive offices)

(972) 668-8800
(Registrant's Telephone No.)

Item 2. Acquisition or Disposition of Assets

Pursuant to the Agreement and Plan of Merger dated November 12, 2001 (the "Merger Agreement"), by and between Comstock Resources, Inc., the Registrant ("Comstock"), Comstock Holdings, Inc. ("Holdings"), a Delaware corporation and wholly owned subsidiary of Comstock, Comstock Acquisition Inc. (the "Purchaser"), a Delaware corporation and a wholly owned subsidiary of Holdings, and DevX Energy, Inc., a Delaware corporation ("DevX"), the Purchaser made an offer to purchase, through a cash tender offer (the "Offer"), all of the outstanding shares of common stock of DevX ("Shares") for $7.32 per Share, net to the seller, without interest. The Offer expired at 12:00 midnight, New York City time, on Thursday, December 13, 2001. Based on information provided by the American Stock Transfer and Trust Company, the Depositary of the Offer, as of the expiration of the Offer, 12,283,728 Shares had been tendered and not withdrawn representing approximately 97% of the issued and outstanding Shares. Purchaser has accepted for purchase and payment all shares validly tendered and not withdrawn pursuant to the Offer. Comstock issued a press release announcing the acceptance of Shares, a copy of which is filed as Exhibit (a)(1) to the Schedule TO/A filed by Comstock, Holdings and Purchaser on December 17, 2001.

On December 17, 2001, Comstock completed the acquisition of DevX by effecting a short- form merger under Section 253 of the Delaware General Corporation Law, whereby the Purchaser was merged with and into DevX, and each Share of DevX common stock not previously purchased in the Offer was converted into the right to receive $7.32 per Share in cash, without interest (subject to applicable dissenter's rights). DevX was the entity surviving the merger and is now an indirect wholly owned subsidiary of Comstock. A copy of the Merger Agreement is filed as Exhibit (d)(1) to the Schedule TO filed by Comstock, Holdings and Purchaser on November 15, 2001.

The total amount of funds required by Purchaser to consummate the Offer and the Merger was approximately $92.6 million. The funds used by Purchaser to effect these transactions were provided by Comstock to the Purchaser. Comstock obtained these funds from its new $350 million Senior Secured Revolving Credit Facility being provided by TD Securities (USA) Inc. (the "Credit Facility"). Please see the disclosure under Item 5 of this Form 8-K for more information about the Credit Facility.

Item 5. Other Events

(A) As stated above, Comstock entered into a new $350 million Credit Facility on December 17, 2001. The Credit Facility is a three year revolving credit facility and has an initial borrowing base of $270 million. The Credit Facility was used to, among other purposes, refinance Comstock's existing bank debt and to finance the acquisition of the Shares. A copy of the Credit Agreement by and among Comstock, each lender from time to time party thereto, Toronto Dominion (Texas), Inc., as administrative agent, and Toronto-Dominion Bank, as Issuing Bank, dated as of December 17, 2001, is attached hereto as Exhibit 10.1.

Indebtedness under the Credit Facility is secured by substantially all of Comstock's and its subsidiaries' assets. The subsidiaries are guarantors of the indebtedness. The Credit Facility will be subject to borrowing base availability, which will be redetermined semiannually based on the banks' estimates of the future net cash flows of the borrower's oil and gas properties. The borrowing base may be affected by the performance of the borrower's properties and changes in oil and gas prices. The determination of the borrowing base will be at the sole discretion of the administrative agent and the bank group. The revolving credit line under the Credit Facility will bear interest, based on the utilization of the borrowing base, at the option of Comstock at either (i) LIBOR plus 1.5% to 2.375% or (ii) the base rate plus 0.5% to 1.375%. The Credit Facility will mature on January 2, 2005 or such earlier date as Comstock may elect. The Credit Facility contains covenants that, among other things, restrict the payment of cash dividends, limit the amount of consolidated debt and limit the borrower's ability to make certain loans and investments. Financial covenants include the maintenance of a current ratio, maintenance of tangible net worth and maintenance of an interest coverage ratio. (B) On December 19 and 20, 2001, DevX repurchased approximately $49.8 million of the outstanding $50 million of DevX's 12.5% Senior Notes due in 2008 for 110% of the principal amount plus accrued interest.

Item 7. Financial Statements and Exhibits

(a) Financial Statements of Business Acquired -

The audited Consolidated Statements of Operations, audited Consolidated Statements of Cash Flows and audited Consolidated Statements of Changes in Shareholders' Equity of DevX Energy, Inc. for the years ended December 31, 2000, 1999 and 1998; the audited Consolidated Balance Sheets of DevX Energy, Inc. as of December 31, 2000 and 1999; and the accompanying Notes to Consolidated Financial Statements of DevX Energy, Inc. are attached hereto as Exhibit 99.2.

The unaudited Consolidated Statements of Operations and unaudited Consolidated Statements of Cash Flows of DevX Energy, Inc. for the nine months ended September 30, 2001 and 2000; the unaudited Balance Sheets of DevX Energy, Inc. as of September 30, 2001 and December 31, 2000; and the accompanying Notes to Consolidated Financial Statements of DevX Energy, Inc. are attached hereto as Exhibit 99.3.

(b) Pro Forma Financial Information -

The Unaudited Pro Forma Combined Statements of Operations for the year ended December 31, 2000 and for the nine months ended September 30, 2001; the Unaudited Pro Forma Combined Balance Sheet as of September 30, 2001; and the accompanying Notes to the Unaudited Pro Forma Combined Financial Statements are attached hereto as Exhibit 20.2.

(c) Exhibit
- -------------
Exhibit Description

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2.1	Agreement and Plan of Merger among Comstock Resources, Inc., Comstock Holdings, Inc., Comstock Acquisition Inc. and DevX Energy, Inc. dated as of November 12, 2001 (incorporated herein by reference to Exhibit (d)(1) to the Tender Offer Statement on Schedule TO filed by the Company on November 15, 2001).
10.1*	Credit Agreement, dated as of December 17, 2001, by and among Comstock Resources, Inc., as borrower, each lender from time to time party thereto, Toronto Dominion (Texas), Inc., as administrative agent, and Toronto- Dominion Bank, as Issuing Bank.
20.1**	Unaudited Pro Forma Combined Financial Statements of Comstock Resources, Inc.
23.2**	Consent of Ernst & Young LLP dated February 4, 2002.
99.1	Press Release issued by Comstock Resources, Inc. on December 17, 2001 (incorporated herein by reference to Exhibit (a)(1) to the Tender Offer Statement on Schedule TO filed by the Company on December 13, 2001).
99.2**	Audited Annual Financial Statements of DevX Energy, Inc., excerpted from pages F-1 through F-26 of the DevX Energy, Inc. Annual Report on Form 10- K for the year ended December 31, 2000 and filed with the Commission on March 15, 2001.
99.3**	Unaudited Interim Financial Statements of DevX Energy, Inc., excerpted from pages 1 through 6 of the DevX Energy, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2001 and filed with the Commission on November 14, 2001.

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* Previously filed
**Filed herewith.

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 hereunto duly authorized.

COMSTOCK RESOURCES, INC.

Dated: February 6, 2002

By:/s/ROLAND O. BURNS

ROLAND O. BURNS
Senior Vice President, Chief Financial Officer,
Secretary, and Treasurer (Principal Financial and
Accounting Officer)

Exhibit Index

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*Previously filed

**Filed herewith.

EXHIBIT 20.1

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma combined financial statements should be read in conjunction with the historical consolidated financial statements, including the notes thereto, of Comstock Resources, Inc. ("Comstock") and DevX Energy, Inc. ("DevX") which are included as an exhibit to this document. The unaudited pro forma financial statements are presented for illustration purposes only, in accordance with the assumptions set forth below, and are not necessarily indicative of the operating results of financial position that would have occurred if the merger had been completed on the assumed dates. Nor is it necessarily indicative of future operating results or the financial position of the combined enterprise.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
Year Ended December 31, 2000

	Comstock	DevX	Pro Forma Adjustments	Pro Forma Combined
	(In thousands, except per share amounts)			
Revenues:				
Oil and gas sales	$169,350	$ 35,991	$ 6,214(a)	$ 211,555
Other income	352	90	--	442
Total revenues	169,702	36,081	6,214	211,997
Expenses:				
Oil and gas operating	29,707	1,727	6,214 (a)	37,648
Exploration	3,192	--	800 (b)	3,992
Depreciation, depletion and amortization	44,958	8,637	13,473 (c) (8,637)(d)	58,431
General and administrative, net	3,537	4,497	(4,497)(e)	3,537
Interest	24,611	17,264	(17,264)(f) 10,488 (g)	35,099
Change in fair value of derivatives	--	1,945	--	1,945
Income before income taxes	63,697	2,011	5,637	71,345
Provision for income taxes	(22,294)	642	(3,319)(h)	(24,971)
Income	41,403	2,653	2,318	46,374
Preferred stock dividends	(2,471)	--	--	(2,471)
Net income attributable to common stock	$ 38,932	$ 2,653	$ 2,318	$ 43,903
Net income per share:				
Basic	$ 1.48			$ 1.67
Diluted	$ 1.21			$ 1.36
Weighted average shares outstanding:				
Basic	26,290			26,290
Diluted	34,219			34,219

See accompanying notes to unaudited pro forma combined financial statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
Nine Months Ended September 30, 2001

	Comstock	DevX	Pro Forma Adjustments		Pro Forma Combined
	(In thousands, except per share amounts)				
Revenues:					
Oil and gas sales	$ 143,521	$ 27,421	$ 5,105	(a)	$ 176,047
Other income	381	377	--		758
Total revenues	143,902	27,798	5,105		176,805
Expenses:					
Oil and gas operating	25,064	1,160	5,105	(a)	31,329
Exploration	3,371	--	536	(b)	3,907
Depreciation, depletion and amortization	36,458	7,087	8,934	(c)	45,392
			(7,087)	(d)	
General and administrative, net	2,450	4,139	(4,139)	(e)	2,450
Interest	15,479	5,518	(5,518)	(f)	22,433
			6,954	(g)	
Change in Fair Value of Derivatives	--	(3,730)	--		(3,730)
Income before income taxes	61,080	13,624	320		75,024
Provision for income taxes	(21,378)	(5,040)	160	(h)	(26,258)
Income	39,702	8,584	480		48,766
Preferred stock dividends	(1,199)	--	--		(1,199)
Net income attributable to common stock	$ 38,503	$ 8,584	$ 480		$ 47,567
Net income per share:					
Basic	$ 1.32				$ 1.63
Diluted	$ 1.14				$ 1.40
Weighted average shares outstanding:					
Basic	29,207				29,207
Diluted	34,851				34,851

See accompanying notes to unaudited pro forma combined financial statements.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

UNAUDITED PRO FORMA COMBINED BALANCE SHEET
As of September 30, 2001

ASSETS

	Comstock	DevX	Pro Forma Adjustments	Pro Forma Combined
	(In thousands, except per share amounts)			
Cash and Cash Equivalents	$ 3,088	$ 11,168	$ --	$ 14,256
Accounts Receivable:				
Oil and gas sales	18,342	5,275	--	23,617
Joint interest operations	2,569	61	--	2,630
Other Current Assets	2,146	744	--	2,890
Total current assets	26,145	17,248	--	43,393
Property and Equipment:				
Unevaluated oil and gas properties	12,356	--	--	12,356
Oil and gas properties, successful efforts method	730,730	211,411	(211,411)(i) 158,232 (j)	88,962
Other	2,618	457	(457)(i)	2,618
Accumulated depreciation, depletion and amortization	(265,006)	(101,593)	101,593 (i)	(265,006)
Net property and equipment	480,698	110,275	47,957	638,930
Deferred Tax Asset	--	1,221	(1,221)(k)	--
Other Assets	5,056	3,994	(3,994)(l)	5,056
	$511,899	$ 132,738	$ 42,742	$ 687,379

LIABILITIES AND STOCKHOLDERS' EQUITY

	Comstock	DevX	Pro Forma Adjustments	Pro Forma Combined
Current Portion of Long-Term Debt	$ 417	$ --	$ --	$ 417
Accounts Payable and Accrued Expenses	37,299	10,697	11,113 (m)	59,109
Total current liabilities	37,716	10,697	11,113	59,526
Long-Term Debt, less current portion	206,000	50,000	(49,776)(n) 147,367 (o)	353,591
Derivatives	--	1,779	--	1,779
Deferred Taxes Payable	39,969	--	4,300 (k)	44,269
Reserve for Future Abandonment Costs	7,557	--	--	7,557
Stockholders' Equity:				
Preferred stock	17,573	--	--	17,573
Common stock	14,439	2,983	(2,983)(p)	14,439
Additional paid-in capital	131,878	60,165	(60,165)(p)	131,878
Retained earnings	57,832	9,418	(9,418)(p)	57,832
Treasury stock	--	(525)	525 (p)	--
Deferred compensation-restricted stock grants	(876)	--		(876)
Accumulated other comprehensive loss	(189)	(1,779)	1,779 (p)	(189)
Total stockholders' equity	220,657	70,262	(70,262)	220,657
	$ 511,899	$ 132,738	$ 42,742	$ 687,379

See accompanying notes to unaudited pro forma combined financial statements.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS
(Continued)

(1) BASIS OF PRESENTATION -

On December 17, 2001, Comstock Resources, Inc. ("Comstock") completed the acquisition of DevX Energy, Inc. ("DevX") by acquiring 100% of the common stock of DevX for $92.6 million. Comstock also repurchased approximately $49.8 million of the outstanding DevX 12.5% Senior Notes due in 2008 for 110% of the principal amount plus accrued interest. The acquisition was funded by borrowings under a new revolving bank credit facility entered into by Comstock on December 17, 2001. The new credit facility is subject to borrowing base availability, which will be redetermined semiannually based on the banks' estimates of the future net cash flows of the borrower's oil and gas properties. The revolving credit line bears interest, based on the utilization of the borrowing base, at the option of Comstock at either (i) LIBOR plus 1.5% to 2.375% or (ii) the base rate plus 0.5% to 1.375%. The facility matures on January 2, 2005.

The accompanying Pro Forma Consolidated Balance Sheet at September 30, 2001 and the Pro Forma Consolidated Statements of Operations for the year ended December 31, 2000 and the nine months ended September 30, 2001, have been prepared assuming the acquisition of DevX was consummated by Comstock, immediately prior to each of the periods presented, and was funded by borrowings under Comstock's new bank credit facility.

The Pro Forma Combined Statements of Operations are not necessarily indicative of the results of operations had the above described transactions occurred on the assumed dates.

(2) PRO FORMA ADJUSTMENTS -

Pro forma adjustments necessary to adjust the Combined Balance Sheet and Statements of Operations are as follows:

(a) To reclassify certain amounts in DevX historical financial statements to conform to Comstock' s presentation.

(b) To record the pro forma reversal of the capitalization of historical DevX exploration expense to conform to the successful efforts method of accounting for oil and gas activities.

(c) To record pro forma DevX depreciation, depletion and amortization expenses recorded in accordance with the successful efforts method of accounting for oil and gas activities and based on the allocated purchase price.

(d) To record the reversal of DevX historical depreciation, depletion and amortization expenses in accordance with the full-cost method of accounting for oil and gas activities.

(e) To reverse the costs of the closed Dallas and Ottawa corporate offices of DevX. Comstock hired only one former DevX employee and does not intend to add any additional administrative employees to handle the incremental DevX activity. Accordingly, since the DevX offices have been closed and only one former employee has been hired Comstock believes the reduction in general and administrative expenses of DevX is factually supportable for this pro forma presentation.

(f) To reverse the historical interest expense related to the DevX 12.5% Senior Notes.

(g) To record interest expense related to borrowings under the Company's new bank credit facility. Borrowings to finance the purchase of DevX shares and merger costs and the purchase of the DevX 12.5% Senior Notes were approximately $152 million. The pro forma interest expense was calculated using Comstock's average interest rate on its prior bank credit facility of 6.9% and 6.1% for the year ended December 31, 2000 and the nine months ended September 30, 2001, respectively.

(h) To record income tax expense on the pro forma adjustments based on the applicable statutory tax rates.

(i) To reverse historical DevX property and equipment balances and the related accumulated depreciation, depletion and amortization.

COMSTOCK RESOURCES, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS
(Continued)

(j) To record the estimated pro forma allocation of the purchase price of the acquisition of DevX, including estimated merger costs, to properties and equipment in accordance with the purchase method of accounting. The following is a calculation and allocation of the purchase price to the assets acquired and liabilities assumed based on their relative fair values:

CALCULATION OF PURCHASE PRICE - (In thousands except per share amount)	
Number of shares of common stock acquired	12,649
Share purchase price	$ 7.32
	$ 92,591
Estimated merger related costs	11,113
Purchase Price	$ 103,704

ALLOCATION OF PURCHASE PRICE -	
Current assets	$ 17,248
Properties and equipment	158,232
Current liabilities	(10,697)
Long-term debt	(55,000)
Deferred income taxes	(4,300)
Derivative liabilities	(1,779)
	$ 103,704

The final purchase price allocation may change due to changes in DevX's working capital or the valuation of its derivatives contracts.

(k) To record the pro forma deferred income tax effect of the fair value adjustments related to the merger in accordance with the purchase method of accounting.

(l) To record the reversal of the capitalized debt issuance costs related to DevX historical long-term debt.

(m) To record the liabilities associated with estimated merger related costs, consisting primarily of bankers' and other professional fees, as well as costs associated with severance for DevX employees and closing the DevX offices in Dallas and Ottawa.

(n) To reflect repurchase of the DevX 12.5% Senior Notes at the actual purchase price of 110% of principal.

(o) To record borrowings under the bank credit facility related to the acquisition of DevX and the repurchase of the DevX 12.5% Senior Notes.

(p) To reflect the acquisition of DevX common stock and common stock equivalents pursuant to the merger agreement.

(3) OIL AND GAS RESERVE INFORMATION -

The following unaudited table sets forth the combined proved oil and gas reserves of Comstock and DevX at December 31, 2000:

	Comstock		DevX		Combined	
	Oil (MBbls)	Gas (MMcf)	Oil (MBbls)	Gas (MMcf)	Oil MBbls)	Gas (MMcf)
Proved Reserves:						
Beginning of year	19,467	258,121	4,453	139,998	23,920	398,119
Revisions of previous estimates	(1,725)	1,205	(2,875)	6,610	(4,600)	7,815
Extensions and discoveries ...	1,599	54,574	--	--	1,599	54,574
Purchases of minerals in place	416	11,059	--	--	416	11,059
Sales of minerals in place ...	(499)	(134)	(1)	(7,035)	(500)	(7,169)
Production	(1,807)	(26,990)	(216)	(9,797)	(2,023)	(36,787)
End of year	17,451	297,835	1,361	129,776	18,812	427,611
Proved Developed Reserves:						
Beginning of year	14,379	184,123	1,937	86,044	16,316	270,167
End of year	12,290	200,349	1,253	84,669	13,543	285,018

The following table sets forth the combined standardized measure of discounted future net cash flows relating to proved reserves at December 31, 2000 for Comstock and DevX:

	Comstock	DevX	Combined
		(In thousands)	
Cash Flows Relating to Proved Reserves:			
Future Cash Flows	$ 3,590,711	$ 1,451,177	$ 5,041,888
Future Costs:			
Production	(527,939)	(223,812)	(751,751)
Development	(126,904)	(21,441)	(148,345)
Future Net Cash Flows Before Income Taxes	2,935,868	1,205,924	4,141,792
Future Income Taxes	(825,033)	(370,200)	(1,195,233)
Future Net Cash Flows	2,110,835	835,724	2,946,559
10% Discount Factor	(822,071)	(465,502)	(1,287,573)
Standardized Measure of Discounted Future Net Cash Flows	$ 1,288,764	$ 370,222	$ 1,658,986

The following table sets forth the combined changes in the standardized measure of discounted future net cash flows relating to proved reserves for the years ended December 31, 2000 for Comstock and DevX:

	Comstock	DevX	Combined
		(In thousands)	
Standardized Measure, Beginning of Year	$ 468,713	$ 116,679	$ 585,392
Net Change in Sales Price, Net of Production Costs	1,141,880	501,474	1,643,354
Development Costs Incurred During the Year Which Were Previously Estimated	17,340	13,043	30,383
Revisions of Quantity Estimates	(44,256)	(74,940)	(119,196)
Accretion of Discount	51,506	11,668	63,174
Changes in Future Development Costs	(41,525)	--	(41,525)
Changes in Timing and Other	(166,410)	--	(166,410)
Extensions and Discoveries	375,632	--	375,632
Purchases of Reserves in Place	62,621	--	62,621
Sales of Reserves in Place	(3,355)	(12,953)	(16,308)
Sales, Net of Production Costs	(139,643)	(34,264)	(173,907)
Net Changes in Income Taxes	(433,739)	(150,485)	(584,224)

Standardized Measure, End of Year	$ 1,288,764	$ 370,222	$ 1,658,986

Exhibit 23.2

CONSENT OF ERNST & YOUNG LLP

We consent to the incorporation by reference into Comstock Resources, Inc.'s previously filed registration statements (numbers 333-36808, 333-36854, 333-81483 and 333-45860) of our report dated March 1, 2000, with respect to the consolidated financial statements of DevX Energy, Inc. included in its Annual Report (Form 10K) for the year ended December 31, 2000, filed with the Securities and Exchange Commission.

/s/ ERNST & YOUNG LLP

Dallas, Texas,
February 4, 2002

DEVX ENERGY, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
DevX Energy, Inc.

We have audited the accompanying consolidated balance sheets of DevX Energy, Inc. and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, stockholders' equity (net capital deficiency), and cash flows for each of the three years in the period ended December 31, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DevX Energy, Inc. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States.

As discussed in Note 1 to the consolidated financial statements, effective July 1, 2000, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities."

Dallas, Texas
March 1, 2001

DEVX ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31	
	2000	1999
ASSETS		
Current assets:		
Cash	$ 10,985,000	$ 3,376,000
Accounts receivable	10,557,000	4,727,000
Other	183,000	459,000
Total current assets	21,725,000	8,562,000
Property and equipment, at cost:		
Oil and gas properties, based on full cost accounting method	191,204,000	181,549,000
Other equipment	446,000	402,000
	191,650,000	181,951,000
Less accumulated depreciation and amortization	(94,559,000)	(85,969,000)
Net property and equipment	97,091,000	95,982,000
Other assets	2,953,000	8,074,000
Deferred tax asset	1,221,000	--
	$ 122,990,000	$ 112,618,000
LIABILITIES AND STOCKHOLDERS'		

EQUITY
Current
liabilities:
Accounts
payable $
1,004,000 $
2,328,000
Accrued
liabilities
6,503,000
8,721,000
Current
portion of
long-term
obligations -
- 877,000
Derivatives
1,507,000 --

Total current
liabilities
9,014,000
11,926,000
Long-term
obligations,
net of
current
portion
50,000,000
134,106,000
Derivatives
12,246,000 --
Commitments
and
contingencies
Stockholders'
equity (net
capital
deficiency):
Preferred
stock, $0.01
par value:
Authorized
shares -
50,000,000 at
December 31,
2000 and 1999
Issued and
outstanding
shares - 0
and 9,604,248
at December
31, 2000 and
1999,
respectively
-- 96,000
Aggregate
liquidation
preference -
$0 and
$9,678,000 at
December 31,
2000 and
1999,
respectively
Common stock,
$0.234 par
value:
Authorized
shares -
100,000,000
at December
31, 2000 and
1999 Issued
and
outstanding
shares -
12,748,612
and 236,960
at December

31, 2000 and
1999,
respectively
2,983,000
70,000
Additional
paid-in
capital
60,159,000
64,945,000
Retained
earnings
(deficit)
($68,130,000
of
accumulated
deficit
eliminated in
the quasi-
reorganization
of October
31, 2000)
834,000
(91,274,000)
Accumulated
other
comprehensive
loss
(12,246,000)
Treasury
stock, at
cost --
(7,251,000) -

Total
stockholders'
equity (net
capital
deficiency)
51,730,000
(33,414,000)

Total
liabilities
and
stockholders'
equity $
122,990,000 $
112,618,000
=============
=============

See accompanying notes.

DEVX ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	YEAR ENDED DECEMBER 31		
	2000	1999	1998
Revenues:			
Oil and gas sales	$ 4,484,000	$ 3,625,000	$ 5,852,000
Net profits and royalty interests	31,507,000	21,955,000	15,947,000
Interest and other	90,000	345,000	156,000
Total revenues	36,081,000	25,925,000	21,955,000
Expenses:			
Production expenses	1,727,000	1,622,000	4,326,000
Depreciation and amortization	8,637,000	9,418,000	10,866,000
Hedge contract termination costs	--	3,328,000	--
Write-down of oil and gas properties	--	--	63,199,000
General and administrative	4,497,000	3,629,000	2,420,000
Total expenses	14,861,000	17,997,000	80,811,000
Operating			

income (loss)
21,220,000
7,928,000
(58,856,000)
Other
expenses:
Interest and
financing
costs
17,264,000
18,587,000
12,235,000
Change in
fair value of
derivatives
1,945,000 --
-- ----------
-- ----------
-- ----------
-- Income
(loss) before
income taxes,
extraordinary
items, and
cumulative
effect of
accounting
change
2,011,000
(10,659,000)
(71,091,000)
Income tax
benefit
642,000 -- --

Income (loss)
before
extraordinary
items and
cumulative
effect of
accounting
change
2,653,000
(10,659,000)
(71,091,000)
Extraordinary
gain (loss),
net of tax
21,144,000
(1,130,000)
(3,549,000) -
----------- -
----------- -

Income (loss)
before
cumulative
effect of
accounting
change
23,797,000
(11,789,000)
(74,640,000)
Cumulative
effect of
accounting
change, net
of tax
413,000 -- --

Net income
(loss) $
24,210,000
$(11,789,000)
$(74,640,000)
============

============
============
Basic income
(loss) per
share
amounts:
Income (loss)
before
cumulative
effect of
accounting
change and
extraordinary
items $ 1.12
$ (49.52) $
(414.90)
Extraordinary
gain (loss)
8.94 (5.24)
(20.71) -----
------- -----
------- -----

Income (loss)
before
cumulative
effect of
accounting
change 10.06
(54.76)
(435.61)
Cumulative
effect of
accounting
change 0.18 -
- -- --------
---- --------
---- --------
---- Net
income (loss)
$ 10.24 $
(54.76) $
(435.61)
============
============
============
Diluted
income (loss)
per shares
amounts:
Income (loss)
before
cumulative
effect of
accounting
change and
extraordinary
items $ 0.87
$ (49.52) $
(414.90)
Extraordinary
gain (loss)
6.95 (5.24)
(20.71) -----
------- -----
------- -----

Income (loss)
before
cumulative
effect of
accounting
change 7.82
(54.76)
(435.61)
Cumulative
effect of
accounting
change 0.14 -
- -- --------
---- --------

---- --------
---- Net
income (loss)
$ 7.96 $
(54.76) $
(435.61)
============
============
============
Weighted
average
shares
outstanding:
Basic
2,364,817
215,268
171,344
Diluted
3,041,386
215,268
171,344

See accompanying notes.

DEVX ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(NET CAPITAL DEFICIENCY)

YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

PREFERRED
STOCK COMMON
STOCK
ADDITIONAL -

--- --------

PAID-IN
SHARES
AMOUNT
SHARES
AMOUNT
CAPITAL
TREASURY ---
--------- --
---------- -

Balance at
December 31,
1997
9,610,400 $
96,000
144,395 $
48,000 $
29,020,000 $
(5,000,000)
Issuance of
common stock
for oil and
gas
properties -
- -- 2,219
1,000
1,751,000 --
Issuance of
common stock
for cash --
-- 34,013
8,000
26,972,000 -
- Issuance
of common
stock upon
exercise of
warrants --
-- 15,860
4,000
6,996,000 --
Issuance of
common stock
pursuant to
repricing
rights -- --
4,984 1,000
(1,000) --
Issuance of
common stock
on
conversion
of
convertible
preferred
stock
(2,290) --
2,534 -- --

-- Issuance
of common
stock as
stock
dividend --
-- 111 --
98,000 --
Repurchase
of
convertible
preferred
stock
(2,152) -- -
- -- --
(2,251,000)
Net loss --
-- -- -- --
-- ---------
--- --------
---- -------
----- ------
------ -----
------- ----

Balance at
December 31,
1998
9,605,958
96,000
204,116
62,000
64,836,000
(7,251,000)
Issuance of
common stock
pursuant to
repricing
rights -- --
19,245 5,000
(5,000) --
Issuance of
common stock
on
conversion
of
convertible
preferred
stock
(1,710) --
12,642 3,000
(3,000) --
Issuance of
common stock
as stock
dividend --
-- 957 --
117,000 --
Net loss --
-- -- -- --
-- ---------
--- --------
---- -------
----- ------
------ -----
------- ----

Balance at
December 31,
1999
9,604,248 $
96,000
236,960 $
70,000 $
64,945,000 $
(7,251,000)
ACCUMULATED
OTHER
RETAINED
TOTAL
COMPREHENSIVE
EARNINGS

STOCKHOLDERS'
LOSS
(DEFICIT)
EQUITY -----
------- ----
-------- ---

Balance at
December 31,
1997 $ -- $
(4,630,000)
$ 19,534,000

Issuance of
common stock
for oil and
gas
properties -
- --
1,752,000
Issuance of
common stock
for cash --
--
26,980,000
Issuance of
common stock
upon
exercise of
warrants --
-- 7,000,000
Issuance of
common stock
pursuant to
repricing
rights -- --
-- Issuance
of common
stock on
conversion
of
convertible
preferred
stock -- --
-- Issuance
of common
stock as
stock
dividend --
(98,000) --
Repurchase
of
convertible
preferred
stock -- --
(2,251,000)
Net loss --
(74,640,000)
(74,640,000)

Balance at
December 31,
1998 --
(79,368,000)
(21,625,000)
Issuance of
common stock
pursuant to
repricing
rights -- --
-- Issuance
of common
stock on
conversion
of
convertible
preferred

stock -- --
-- Issuance
of common
stock as
stock
dividend --
(117,000) --
Net loss --
(11,789,000)
(11,789,000)

Balance at
December 31,
1999 $ --
$(91,274,000)
$(33,414,000)

DEVX ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (CONTINUED)
(NET CAPITAL DEFICIENCY)

YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998

PREFERRED STOCK
COMMON STOCK
ADDITIONAL ----

--------- -----

------- PAID-IN
SHARES AMOUNT
SHARES AMOUNT
CAPITAL
TREASURY ------
------ --------
---- ----------
-- ------------
------------ --

Issuance of
common stock
for cash -- $ -
- 11,498,878 $
2,691,000 $
70,421,000 $ --
Issuance of
common stock
pursuant to
repricing
rights -- --
628,962 147,000
(147,000) --
Issuance of
common stock on
conversion of
convertible
preferred stock
(9,604,248)
(96,000)
378,519 89,000
7,000 --
Issuance of
common stock as
stock dividend
-- -- 5,293
1,000 231,000 -
- Retire
treasury stock
-- -- --
(15,000)
(7,236,000)
7,251,000
Reclassification
of accumulated
deficit
pursuant to
quasi-
reorganization
-- -- -- --
(68,130,000) --
Other -- -- --
-- 68,000 --
Net income -- -
- -- -- -- --
Cumulative
effect of
accounting
change -- -- --
-- -- --
Unrealized
losses on
derivatives --

-- -- -- -- --
Comprehensive
income -- -- --
-- -- -- ------
------ --------
---- ----------
-- ------------
------------ --

Balance at
December 31,
2000 -- $ -- $
12,748,612 $
2,983,000 $
60,159,000 $ --
============
============
============
============
============
============
ACCUMULATED
OTHER RETAINED
TOTAL
COMPREHENSIVE
EARNINGS
STOCKHOLDERS'
LOSS (DEFICIT)
EQUITY --------
---- ----------
-- ------------
Issuance of
common stock
for cash $ -- $
-- $ 73,112,000
Issuance of
common stock
pursuant to
repricing
rights -- -- --
Issuance of
common stock on
conversion of
convertible
preferred stock
-- -- --
Issuance of
common stock as
stock dividend
-- (232,000) --
Retire treasury
stock -- -- --
Reclassification
of accumulated
deficit
pursuant to
quasi-
reorganization
-- 68,130,000 -
- Other -- --
68,000 Net
income
24,210,000
24,210,000
Cumulative
effect of
accounting
change
(5,515,000) --
(5,515,000)
Unrealized
losses on
derivatives
(6,731,000) --
(6,731,000)
Comprehensive
income -- --
(11,964,000) --
---------- ----
-------- ------
------ Balance

at December 31,
2000
$(12,246,000) $
834,000 $
51,730,000
============
============
============

See accompanying notes.

DEVX ENERGY, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	YEAR ENDED DECEMBER 31		
	2000	1999	1998
OPERATING ACTIVITIES			
Income (loss) before extraordinary items and cumulative effect of change in accounting	$ 2,653,000	$ (10,659,000)	$ (71,091,000)
Adjustments to reconcile income (loss) to net cash provided by operating activities:			
Deferred tax benefit	(1,424,000)	--	--
Depreciation and amortization	8,637,000	9,313,000	10,850,000
Amortization of deferred costs	1,605,000	1,242,000	738,000
Write-down of oil and gas properties	--	--	63,199,000
Change in market value of derivatives	1,945,000	--	--
Unrealized foreign currency translation gains	(43,000)	(131,000)	--
Changes in operating assets and liabilities:			

Accounts
receivable
(5,830,000)
246,000
(3,660,000)
Other assets
276,000
4,000
(379,000)
Accounts
payable and
accrued
liabilities
(1,305,000)
678,000
8,720,000 --

- ----------
--- Net cash
provided by
operating
activities
6,514,000
693,000
8,377,000
INVESTING
ACTIVITIES
Additions to
oil and gas
properties
(13,043,000)
(7,494,000)
(153,961,000)
Proceeds
from sales
of oil and
gas
properties
3,386,000
10,236,000 -
- Other
84,000
(706,000)
(9,623,000)

- ----------
--- --------
----- Net
cash
provided by
(used in)
investing
activities
(9,573,000)
2,036,000
(163,584,000)
FINANCING
ACTIVITIES
Proceeds
from
revolving
credit
facilities
14,000,000
20,032,000
92,800,000
Debt
issuance
costs --
(1,130,000)
--
Termination
of LIBOR
swap
agreement --
--
(3,549,000)
Payment on
revolving
credit

facilities
(23,106,000)
(21,227,000)
(87,671,000)
Proceeds
from
issuance of
12.5% senior
notes -- --
125,000,000
Redemption
of 12.5%
senior notes
(52,504,000)
-- --
Redemption
of DEM bonds
(791,000) --
(1,206,000)
Payments on
notes
payable -- -
-
(1,901,000)
Proceeds
from the
issuance of
common stock
73,112,000 -
- 33,980,000
Repurchase
of common
and
preferred
stock -- --
(2,251,000)
Payments on
capital
lease
obligation
(43,000)
(67,000)
(71,000) ---
---------- -

- Net cash
provided by
(used in)
financing
activities
10,668,000
(2,392,000)
155,131,000
Net increase
(decrease)
in cash
7,609,000
337,000
(76,000)
Cash at
beginning of
year
3,376,000
3,039,000
3,115,000 --

- ----------
--- Cash at
end of year
$ 10,985,000
$ 3,376,000
$ 3,039,000
=============
=============
=============

See accompanying notes.

DEVX ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2000, 1999 AND 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL

DevX Energy, Inc. (DEVX or the Company, formerly Queen Sand Resources, Inc.) was formed on August 9, 1994, under the laws of the State of Delaware. The Company is engaged in one industry segment: the acquisition, exploration, development, production and sale of crude oil and natural gas. The Company's business activities are carried out primarily in Kentucky, Oklahoma and Texas. Effective December 31, 2000, the Company changed its fiscal year end to December 31. The accompanying financial statements have been prepared on a calendar year for each period presented.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

PROPERTY AND EQUIPMENT

The Company follows the full cost method of accounting for its oil and gas activities under which all costs, including general and administrative expenses directly associated with property acquisition, exploration and development activities, are capitalized. Capitalized general and administrative expenses directly associated with acquisitions, exploration and development of oil and gas properties were approximately $691,000, $813,000 and $1,287,000 for the years ended December 31, 2000, 1999 and 1998, respectively. Capitalized costs are amortized by the unit-of-production method using estimates of proved oil and gas reserves prepared by independent engineers. The costs of unproved properties are excluded from amortization until the properties are evaluated. Sales of oil and gas properties are accounted for as adjustments to the capitalized cost center unless such sales significantly alter the relationship between capitalized costs and proved reserves of oil and gas attributable to the cost center, in which case a gain or loss is recognized.

The Company limits the capitalized costs of oil and gas properties, net of accumulated amortization, to the estimated future net revenues from proved oil and gas reserves less estimated future development and production expenditures discounted at 10%, plus the lower of cost or estimated fair value of unproved properties, as adjusted for related estimated future tax effects. If capitalized costs exceed this limit (the full cost ceiling), the excess is charged to depreciation and amortization expense. During the year ended December 31, 1998, the Company recorded full cost ceiling write-downs of $63,199,000.

Amortization of the capitalized costs of oil and gas properties and limits to capitalized costs are based on estimates of oil and gas reserves which are inherently imprecise and are subject to change based on factors such as crude oil and natural gas prices, drilling results, and the results of production activities, among others. Accordingly, it is reasonably possible that such estimates could differ materially in the near term from amounts currently estimated.

Depreciation of other property and equipment is provided principally by the straight-line method over the estimated service lives of the related assets. Equipment under capital lease is recorded at the lower of fair value or the present value of future minimum lease payments and is depreciated over the lease term.

Costs incurred to operate, repair and maintain wells and equipment are charged to expense as incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Certain of the Company's oil and gas activities are conducted jointly with others and, accordingly, the financial statements reflect only the Company's proportionate interest in such activities.

The Company does not expect future costs for site restoration, dismantlement and abandonment, postclosure, and other exit costs which may occur in the sale, disposal or abandonment of a property to be material.

REVENUE RECOGNITION

The Company uses the sales method of accounting for oil and gas revenues. Under the sales method, revenues are recognized based on actual volumes of oil and gas sold to purchasers.

ENVIRONMENTAL MATTERS

The Company is subject to extensive federal, state and local environmental laws and regulations. These laws, which are constantly changing, regulate the discharge of materials into the environment and may require the Company to remove or mitigate the environmental effects of the disposal or release of petroleum or chemical substances at various sites. Environmental expenditures are expensed or capitalized depending on their future economic benefit. Expenditures that relate to an existing condition caused by past operations and that have no future economic benefits are expensed. Liabilities for expenditures of a noncapital nature are recorded when environmental assessment and/or remediation is probable and the costs can be reasonably estimated.

INCOME TAXES

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The measurement of deferred tax assets is adjusted by a valuation allowance, if necessary, to recognize the extent to which, based on available evidence, the future tax benefits more likely than not will be realized.

STATEMENT OF CASH FLOWS

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

During 1998, the Company issued an aggregate of 2,219 shares of Common Stock valued at $1,752,000 in connection with the acquisition of certain interests in oil and gas properties.

INCOME (LOSS) PER COMMON SHARE

Basic income or loss per share is calculated based on the weighted average number of common shares outstanding during the period. If applicable, diluted earnings per share is calculated based on the weighted average number of common shares outstanding during the period plus any dilutive common equivalent shares outstanding. As the Company incurred net losses during each of the years ended December 31, 1999 and 1998, the loss per common

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

share data is based on the weighted average common shares outstanding and excludes the effects of the Company's potentially dilutive securities (Note 6).

The following table reconciles basic and diluted weighted average shares outstanding:

	2000	1999	1998
Basic weighted average shares	2,364,817	215,268	171,344
Dilutive effect of:			
Common stock repricing rights	673,627	--	--
Employee stock options	2,942	--	--
Diluted weighted average shares	3,041,386	215,268	171,344

Losses per common share for periods prior to the completion of the Company's recapitalization transaction (Note 2) have been restated for the effects of a 156-to-1 reverse stock split.

STOCK COMPENSATION

The Company has elected to follow Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB 25), in accounting for its employee stock options. Under APB 25, if the exercise price of an employee's stock options equals or exceeds the market price of the underlying stock on the date of grant and certain other plan conditions are met, no compensation expense is recognized.

In March 2000, the Financial Accounting Standards Board issued Interpretation No. 44, Accounting for Certain Transactions Involving Stock Compensation (FIN 44), an interpretation of APB 25. FIN 44, which was adopted prospectively by the Company as of July 1, 2000, requires certain changes to the previous practice regarding the accounting for certain stock compensation arrangements. FIN 44 does not change APB 25's intrinsic value method, under which compensation expense is generally not recognized for grants of stock options to employees with an exercise price equal to the market price of the stock at the date of grant, but it has narrowed its application. The adoption of FIN 44 did not have a significant effect on the Company's existing accounting for its employee stock options.

CONCENTRATIONS OF RISK

The Company sells crude oil and natural gas to various customers. In addition, the Company participates with other parties in the operation of crude oil and natural gas wells. Substantially all of the Company's accounts receivable are due from either purchasers of crude oil and natural gas or participants in crude oil and natural gas wells for which the Company serves as the operator. Generally, operators of crude oil and natural gas properties have the right to offset future revenues against unpaid charges related to operated wells. The Company's receivables are generally unsecured.

For the year ended December 31, 2000, four oil and gas companies accounted for 31%, 18%, 14% and 13%, respectively, of the Company's oil and gas sales. For the year ended December 31, 1999, four oil and gas companies accounted for 29%, 14%, 12% and 9%, respectively, of the Company's oil and gas sales. For the year ended December 31, 1998, three oil and gas companies accounted for 29%, 12% and 11%, respectively, of the Company's

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

oil and gas sales. The Company does not believe that the loss of any of these buyers would have a material effect on the Company's business or results of operations as it believes it could readily locate other buyers.

The Company's revenues and profitability are highly dependent upon the prevailing prices for oil and natural gas. As the Company produces more natural gas than oil, it faces more risk related to fluctuations in natural gas prices than oil prices. To reduce the exposure to changes in the price of oil and natural gas, the Company has entered into certain derivative contracts (Note 5).

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Because of the use of estimates inherent in the financial reporting process, actual results could differ from those estimates.

COMPREHENSIVE INCOME

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. For the year ended December 31, 2000, the Company's comprehensive income differed from net income by approximately $12,246,000, due to the recognition in comprehensive income of unrealized losses related to certain of the Company's derivative instruments which have been designated as hedges. For the years ended December 31, 1999 and 1998, there were no differences between the Company's net losses and total comprehensive income.

DERIVATIVES

The Company utilizes certain derivative financial instruments, primarily swaps, floors and collars, to hedge future oil and gas prices. Effective July 1, 2000, the Company adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133), which requires the Company to recognize all derivatives on the balance sheet at fair value. Prior to adoption of SFAS No. 133, gains and losses arising from the use of derivative instruments were deferred until realized. The Company estimates fair value based on quotes obtained from the counterparties to the derivative contracts. The Company recognizes the fair value of derivative contracts that expire in less than one year as current assets or liabilities. Those that expire in more than one year are recognized as long-term assets or liabilities. Derivatives that are not accounted for as hedges are adjusted to fair value through other income. If the derivative is a hedge, depending on the nature of the hedge, changes in fair value are either offset against the change in fair value of the hedged assets, liabilities, or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings.

Upon adoption of SFAS No. 133, the Company had four open derivative contracts. One contract, a natural gas swap, has been designated as a cash flow hedge. For derivatives classified as cash flow hedges, changes in fair value are recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of any change in the fair value of a derivative designated as a hedge is immediately recognized in earnings. Hedge effectiveness is measured quarterly based on the relative fair value between the derivative contract and the hedged

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

item over time. At adoption, the Company recognized a derivative liability and a reduction in other comprehensive income of approximately $5,515,000 as a cumulative effect of accounting change for this cash flow hedge. During the six months ended December 31, 2000, the Company recognized an increase in the derivative liability and an associated other comprehensive loss totaling approximately $6,731,000. No amounts were recognized in earnings for hedging ineffectiveness during 2000.

Additionally upon adoption, the Company recognized a net derivative asset of approximately $651,000 for the remaining three open derivative contracts, and a related gain of approximately $413,000 as a cumulative effect of accounting change in earnings. During the six months ended December 31, 2000, the Company recognized a loss of approximately $1,945,000 related to the net change in the fair value of derivative contracts which have not been designated as hedges.

Gains and losses from settlements of hedges of oil and gas prices are reported as oil and gas sales. Gains and losses from settlements of interest rate hedges are reported in interest expense.

2. QUASI-REORGANIZATION

On October 31, 2000, the Company completed a public offering of 10,000,000 shares of its common stock at a price per share to the public of $7.00. An additional 1,500,000 shares were sold during November 2000 upon the underwriter's exercise of its over-allotment option. The aggregate net proceeds to the Company (after deducting underwriter discount and expenses, and costs to repurchase fractional shares aggregating 1,122 shares of common stock) were approximately $73,112,000. Simultaneously with the closing of the October 31, 2000 offering, the Company completed a recapitalization transaction which included: (a) a reverse stock split of every 156 outstanding shares of common stock into one share; (b) the exchange of all preferred stock, all warrants exercisable for shares of common stock and all unexercised common stock repricing rights (Note 6) for 732,500 shares of post reverse-split common stock; (c) the repurchase of $75 million face value of 12.5% senior notes (Note 4) for $52,504,000; and (d) the Company used proceeds from the offering to pay down the balance on its revolving credit facility by $14 million ($11 million at closing and $3 million from the exercise of the over-allotment option) (the Recapitalization).

The Company's board of directors decided to effect a quasi-reorganization given the infusion of new equity capital, the reduction in debt, changes in management and changes in the Company's operations. Accordingly, the Company's accumulated deficit as of the date of the Recapitalization, $68,130,000, was eliminated against additional paid-in capital. The historical carrying values of the Company's assets and liabilities were not adjusted in connection with the quasi-reorganization.

Information presented for shares of common stock for all periods prior to the Recapitalization has been restated to retroactively reflect the effects of the reverse stock split.

3. NET PROFITS AND ROYALTY INTERESTS

During 1998, the Company acquired certain nonoperated net profits interests and royalty interests (collectively, the Morgan Properties) from pension funds managed by J.P. Morgan Investments. The Company's interest in the Morgan Properties primarily takes the form of nonoperated net profits overriding royalty interests, whereby the Company is entitled to a percentage of the net profits from the operations of the properties. The oil and gas properties burdened by the Morgan Properties are primarily located in East Texas, South Texas and the mid-continent region of the United States.

3. NET PROFITS AND ROYALTY INTERESTS (CONTINUED)

Presented below are the oil and gas sales and associated production expenses associated with the Company's net profits and royalty interests, which are presented in the accompanying consolidated statements of operations for the years ended December 31, 2000, 1999 and 1998, respectively, as net profits and royalty interests revenues.

	YEAR ENDED DECEMBER 31		
	2000	1999	1998
Oil and gas sales	$37,721,000	$26,741,000	$21,913,000
Production expenses	6,214,000	4,786,000	5,966,000
Net profits and royalty interests	$31,507,000	$21,955,000	$15,947,000

4. CURRENT AND LONG-TERM DEBT

A summary of current and long-term debt follows:

	DECEMBER 31	
	2000	1999
12.5% senior notes, due July 2008	$ 50,000,000	$125,000,000
12% unsecured DEM bonds, due July 2000	--	834,000
Revolving credit agreement	--	9,106,000

Capital lease obligations	--	43,000
	50,000,000	134,983,000
Less current portion of debt and capitalized lease obligation	--	877,000
Total long-term obligations	$ 50,000,000	$134,106,000

During October 1999, the Company entered into an amended and restated revolving credit agreement (the Credit Agreement) with new lenders. In connection with entering into the Credit Agreement, the Company retired borrowings under its previous credit agreement, terminating the arrangement. As a result, the Company recorded an extraordinary loss of $1,130,000 relating to the write-off of the unamortized deferred costs of the previous agreement. The Credit Agreement allows the Company to borrow up to $43.5 million (subject to borrowing base limitations). Borrowings under the Credit Agreement are secured by a first lien on the Company's oil and natural gas properties. Borrowings under the Credit Agreement bear interest at prime plus 2% on borrowings under $25 million and prime plus 4.5%, if borrowings exceed $25 million. There were no outstanding borrowings under the Credit Agreement at December 31, 2000. The interest rate at December 31, 2000, was 11.5%. The loan under the Credit Agreement expires on October 22, 2001. The Company is subject to certain affirmative and negative financial and operating covenants under the Credit Agreement, including maintaining a minimum interest coverage ratio, a minimum working capital ratio and certain limitations on capital spending. At December 31, 2000, the Company exceeded the capital spending limitation, for which the lender issued a waiver.

Letters of credit up to a maximum of $12 million may be issued on behalf of the Company under the Credit Agreement, which bear interest at 3%. Any outstanding letters of credit reduce the Company's ability to borrow

4. CURRENT AND LONG-TERM DEBT

under the Credit Agreement. At December 31, 2000, the Company had a letter of credit outstanding in the amount of $8.5 million to secure a swap exposure (Note 5).

Effective January 31, 2001, the Credit Agreement was amended to extend the maturity date to April 22, 2003, increase the capital spending limitation and modify the interest rate. Borrowings under the amended Credit Agreement bear interest as follows: when the borrowings are less than $30 million or borrowings are less than 67% of the borrowing base as defined in the agreement, bank prime plus 2%; when the borrowings are $30 million or greater and borrowings exceed 67% of the borrowing base as defined in the agreement, bank prime plus 3.5%; and on amounts securing letters of credit issued on our behalf, 3%.

On July 8, 1998, the Company completed a private placement of $125,000,000 principal amount of 12.5% senior notes (the Notes) due July 1, 2008. Interest on the Notes is payable semiannually on January 1 and July 1 of each year, commencing January 1, 1999, at the rate of 12.5% per annum. The Notes are senior unsecured obligations of the Company and rank pari passu with any existing and future unsubordinated indebtedness of the Company. The Notes rank senior to all unsecured subordinated indebtedness of the Company. The Notes contain customary covenants that limit the Company's ability to incur additional debt, pay dividends and sell assets of the Company. Substantially all of the proceeds from the issuance of the Notes were used to retire indebtedness incurred in connection with the acquisition of the Morgan Properties. In connection with the Recapitalization, the Company retired $75,000,000 face amount of the Notes, recognizing an extraordinary gain of $21,144,000 (Note 2).

The Company's payment obligations under the Notes are jointly, severally and unconditionally guaranteed by the Company's subsidiaries. The Company has no significant assets and no operations other than those conducted by its subsidiaries. No restrictions exist on the ability of the subsidiaries to make loans or pay dividends to the Company.

Beginning in July 1995, the Company initiated private debt offerings whereby it could issue up to a maximum of 5,000,000 Deutschmark (DEM) denominated 12% notes due on July 15, 2000, of which DEM 1,600,000 were outstanding at December 31, 1999. During 2000, the Company retired all remaining outstanding notes for approximately $791,000.

During the years ended December 31, 2000, 1999 and 1998, the Company made cash payments of interest totaling approximately $15,800,000, $16,402,000 and $3,953,000, respectively.

5. DERIVATIVES AND HEDGING ACTIVITIES

The Company uses swaps, floors and collars to hedge oil and natural gas prices. Swaps are settled monthly based on differences between the prices specified in the instruments and the settlement prices of futures contracts quoted on the New York Mercantile Exchange (NYMEX). Generally, when the applicable settlement price is less than the price specified in the contract, the Company receives a settlement from the counterparty based on the difference multiplied by the volume hedged. Similarly, when the applicable settlement price exceeds the price specified in the contract, the Company pays the counterparty based on the difference. The Company generally receives a settlement from the counterparty for floors when the applicable settlement price is less than the price specified in the contract, which is based on the difference multiplied by the volumes hedged. For collars, generally the Company receives a settlement from the counterparty when the settlement price is below the floor and pays a settlement to the counterparty when the settlement price exceeds the cap. No settlement occurs when the settlement price falls between the floor and cap.

DEVX ENERGY, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. DERIVATIVES AND HEDGING ACTIVITIES (CONTINUED)

The Company had a collar with an affiliate of Enron Corp. (Enron), a stockholder of the Company, to hedge 50,000 MMBtu of natural gas production and 10,000 barrels of oil production monthly. The agreements, effective September 1, 1997, and terminating August 31, 1998, called for a natural gas and oil ceiling and floor price of $2.66 and $1.90 per MMBtu and $20.40 and $18.00 per barrel, respectively. During the year ended December 31, 1998, the Company recognized net hedging gains of approximately $233,000 relating to these agreements, which are included in oil and gas sales.

The table below sets out volumes of natural gas hedged with a floor price of $1.90 per MMBtu with Enron, which received a fee of $478,000 during the year ended December 31, 1998 for entering into this agreement. The volumes presented in this table are divided equally over the months during the period.

PERIOD BEGINNING	PERIOD ENDING	VOLUME (MMBtu)
May 1, 1998	December 31, 1998	885,000
January 1, 1999	December 31, 1999	1,080,000
January 1, 2000	December 31, 2000	880,000
January 1, 2001	December 31, 2001	740,000
January 1, 2002	December 31, 2002	640,000
January 1, 2003	December 31, 2003	560,000

The table below sets out volumes of natural gas hedged with a swap at $2.40 per MMBtu with Enron. The volumes presented in this table are divided equally over the months during the period.

PERIOD BEGINNING	PERIOD ENDING	VOLUME (MMBtu)

May 1, 1998	December 31, 1998	2,210,000
January 1, 1999	December 31, 1999	2,710,000
January 1, 2000	December 31, 2000	2,200,000
January 1, 2001	December 31, 2001	1,850,000
January 1, 2002	December 31, 2002	1,600,000
January 1, 2003	December 31, 2003	1,400,000

Effective November 1, 1999, the Company unwound the ceiling price limitation of this collar at a cost of $3.3 million. The table below sets out volumes of natural gas that remains under contract at a floor price of $2.00 per MMBtu. The volumes presented in this table are divided equally over the months during the period.

PERIOD BEGINNING	PERIOD ENDING	VOLUME (MMBtu)
November 1, 1999	December 31, 1999	722,000
January 1, 2000	December 31, 2000	3,520,000
January 1, 2001	December 31, 2001	2,970,000
January 1, 2002	December 31, 2002	2,550,000
January 1, 2003	December	

31, 2003
2,250,000

5. DERIVATIVES AND HEDGING ACTIVITIES (CONTINUED)

During the years ended December 31, 2000, 1999 and 1998, the Company recognized hedging gains (losses) of approximately $(3,324,000), $644,000 and $803,000, respectively, relating to cash settlements under these agreements, which are included in net profits and royalty interests revenues.

During the year ended December 31, 1998, the Company entered into a swap agreement with Enron to hedge 12,000 barrels of oil production monthly at $17.00 per barrel, for the months of October, November and December 1998. The Company recognized hedging gains of approximately $147,000 relating to this agreement, which are included in net profits and royalty interests revenues.

During the year ended December 31, 1999, the Company entered into a swap agreement with Enron to hedge 10,000 barrels of oil production monthly at $13.50 per barrel for the six months March through August 1999, and for 5,000 barrels of oil production monthly at $14.35 per barrel, and for 5,000 barrels of oil production monthly at $14.82 per barrel for the six months April through September 1999. During the year ended December 31, 1999, the Company recognized hedging losses of approximately $589,000 relating to this agreement, which are included in net profits and royalty interests revenues.

The table below sets out volumes of oil hedged with a collar with Enron involving floor and ceiling prices as set out in the table below. The volumes presented in this table are divided equally over the months during the period.

PERIOD BEGINNING	PERIOD ENDING	VOLUME (MMBtu)	FLOOR PRICE	CEILING PRICE -
December 1, 1999	March 31, 2000	40,000	$22.90	$25.77
April 1, 2000	June 30, 2000	15,000	$23.00	$28.16
July 1, 2000	December 31, 2000	30,000	$22.00	$28.63

During the years ended December 31, 2000 and 1999, the Company recognized hedging losses of approximately $3,000 and $203,000, respectively, relating to this contract.

During the year ended December 31, 2000, the Company entered into a series of collars to hedge a portion of future natural gas production involving floor and ceiling prices as set out below. The volumes presented in this table are divided equally over the months during the period.

PERIOD BEGINNING	PERIOD ENDING	VOLUME (MMBtu)	FLOOR PRICE	CEILING PRICE
January 1, 2001	March 31, 2001	1,125,000	$5.44	$8.29
April 1, 2001	June 30, 2001	675,000	$4.07	$6.42
July 1, 2001	December 31, 2001	1,350,000	$4.07	$6.51

The aggregate fair value of the Company's derivative contracts at December 31, 2000 represented a net liability of $13,540,000.

The Company entered into a forward LIBOR interest rate swap effective for the period June 30, 1998 through June 29, 2009 at a rate of 6.3% on $125 million, which could be unwound at any time at the option of the Company. On July 9, 1998, as a result of the retirement of the Bridge Facilities and borrowings under the Credit Agreement, the

5. DERIVATIVES AND HEDGING ACTIVITIES (CONTINUED)

Company terminated the agreement at a cost of $3,549,000. The cost of termination has been reflected as an extraordinary loss in the accompanying consolidated statement of operations for the year ended December 31, 1998.

6. STOCKHOLDERS' EQUITY

GENERAL

The Company's Certificate of Incorporation authorizes the issuance of: (a) 50,000,000 shares of preferred stock of the Company, par value $.01 per share (the Preferred Stock), of which 9,600,000 shares have been designated as Series A Preferred Stock, 9,600,000 shares have been designated as Series B Preferred Stock and 10,400 shares have been designated as Series C Preferred Stock and (b) 100,000,000 shares of Common Stock, par value $0.234.

Any authorized but unissued or unreserved Common Stock and undesignated Preferred Stock is available for issuance at any time, on such terms and for such purposes as the Board of Directors may deem advisable in the future without further action by stockholders of the Company, except as may be required by law or the Series A or Series C Certificate of Designation. The Board of Directors of the Company has the authority to fix the rights, powers, designations and preferences of the undesignated Preferred Stock and to provide for one or more series of undesignated Preferred Stock. The authority will include, but will not be limited to: determination of the number of shares to be included in the series; dividend rates and rights; voting rights, if any; conversion privileges and terms; redemption conditions; redemption values; sinking funds; and rights upon involuntary or voluntary liquidation.

In connection with the Recapitalization, the Company implemented a 156-to-1 reverse split of its common stock which reduced the total number of shares of common stock outstanding from 80,688,538 pre-split shares (par value $0.0015) to 517,234 post-split shares (par value $0.234).

In connection with the Recapitalization, the holders of the Series A Preferred Stock and the Series C Preferred Stock and common stock repricing rights exchanged all their remaining shares of the Series A Preferred Stock, Series C Preferred Stock and common stock repricing rights, together with all their respective warrants and non-dilution rights for an aggregate of 732,500 shares of post reverse-split common stock.

As of December 31, 2000, there were no shares of Preferred Stock, no common stock repricing rights, no stock purchase warrants and 12,748,612 shares of common stock outstanding.

SERIES A PREFERRED STOCK

In March 1997, the Company entered into a Securities Purchase Agreement with Joint Energy Development Limited Partnership II, an affiliate of Enron (respectively the "JEDI Purchase Agreement and "JEDI") under which JEDI acquired 9,600,000 shares of Series A Preferred Stock, certain warrants to purchase common stock and nondilution rights in regards to future stock issuances by the Company. The aggregate consideration received by the Company consisted of $5,000,000.

In connection with the Recapitalization, JEDI accepted 212,500 shares of post reverse-split common stock in exchange for all 9,600,000 shares of Series A Preferred Stock and stock warrants that it then held, and the surrender of all its remaining nondilution and other rights under the JEDI Purchase Agreement. As a result of that transaction, the JEDI Purchase Agreement was terminated. As of December 31, 2000, there were no shares of Series A Preferred Stock outstanding.

6. STOCKHOLDERS' EQUITY (CONTINUED)

SERIES B PREFERRED STOCK

No shares of Series B Preferred Stock have been issued.

SERIES C PREFERRED STOCK

In December 1997, the Company sold 10,000 shares of Series C Preferred Stock to various investors in a private placement for gross proceeds of $10,000,000. The investors also received warrants to purchase 2,180 shares of common stock in the transaction. The Company issued an additional 400 shares of Series C Preferred Stock in consideration of placement agent fees incurred with respect to the transaction.

During the year ended December 31, 1998, the Company repurchased for cash a total of 2,152 shares of Series C Preferred Stock. In addition, an aggregate of 2,290 shares of Series C Preferred Stock was converted into 2,534 shares of common stock and 111 shares of common stock were issued in payment of dividends that had accrued in respect of the 2,290 shares of Series C Preferred Stock that were converted during the year.

During the year ended December 31, 1999, an aggregate of 1,710 shares of Series C Preferred Stock was converted into 12,642 shares of common stock. In addition, 957 shares of common stock were issued in payment of dividends that had accrued in respect of the 1,710 shares of Series C Preferred Stock that were converted during the year.

During the year ended December 31, 2000, an aggregate of 2,075 shares of Series C Preferred Stock was converted into 46,019 shares of common stock. In addition, 5,293 shares of common stock were issued in payment of dividends that had accrued in respect of the 2,075 shares of Series C Preferred Stock that were converted during the year.

In connection with the Recapitalization, the Company issued 120,000 shares of common stock in exchange for the 2,173 shares of Series C Preferred Stock that remained outstanding at the time plus the warrants. As of December 31, 2000, there were no shares of Series C Preferred Stock or related stock purchase warrants outstanding.

COMMON STOCK

During 1998, the Company completed the private placement of an aggregate of 34,013 shares of the Company's Common Stock for aggregate net proceeds of approximately $26,980,000 (the Equity Offerings). In connection with the sale of 24,841 shares in the Equity Offerings, the Company granted certain common stock reset rights (the Repricing Rights) for each share sold. Each Repricing Right granted the holder the right to receive, in certain circumstances, additional shares of common stock for no consideration. Additionally, warrants to purchase an aggregate of 8,278 shares of the Company's common stock were granted to purchasers of common stock.

During 1998, 15,860 shares of common stock were issued upon the exercise of certain stock purchase warrants. The Company received aggregate net proceeds of $7,000,000 from these exercises.

During 1998, the Company issued a total of 4,984 shares of common stock pursuant to the exercise of 6,939 Repricing Rights. During 1999, the Company issued a total of 19,245 shares of common stock pursuant to the exercise of 1,294 Repricing Rights. In 2000, the Company issued a total of 228,962 shares of common stock pursuant to the exercise of 6,199 Repricing Rights.

6. STOCKHOLDERS' EQUITY (CONTINUED)

In connection with the Recapitalization, the holders of all remaining Repricing Rights exchanged all their remaining Repricing Rights, together with all outstanding warrants that had been issued as part of the Equity Offerings, for an aggregate of 400,000 shares of common stock.

As of December 31, 2000, there were no Repricing Rights or stock purchase warrants outstanding.

STOCK OPTIONS

	YEAR ENDED DECEMBER 31					
	2000		1999		1998	
	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE	OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding at January 1	4,894	$1,071.04	4,894	$1,071.04	1,173	$ 819.00
Granted	732,500	7.01	--	--	3,721	1,150.50
Exercised	--	--	--	--	--	--
Canceled	(4,894)	1,071.04	--	--	--	--
Outstanding at December						

31 732,500
$ 7.01
4,894
$1,071.04
4,894
$1,071.04
========
=====
=====
Exercisable
options
outstanding
at
December
31 -- $ --
640 $
998.65 293
$ 819.00
========
=====
=====

The weighted average grant date fair values of stock options granted during 2000 and 1998 were $2.10 and $971.88, respectively. The grant date fair values were estimated at the date of grant using the Black-Scholes option pricing model. As of December 31, 2000, the weighted average remaining contractual life of outstanding stock options was 9.8 years.

Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (SFAS 123), requires the disclosure of pro forma net income and earnings per share information computed as if the Company had accounted for its employee stock options under the fair value method set forth in SFAS 123. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions, respectively: a risk-free interest rate of 5.75% and 6.00% during 2000 and 1998, respectively; a dividend yield of 0%; and a volatility factor of 0.256 and 0.792 during 2000 and 1998, respectively. In addition, the fair value of these options was estimated based on an expected weighted average life of 4 years and 10 years during 2000 and 1998, respectively.

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected stock price volatility. Because the Company's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

6. STOCKHOLDERS' EQUITY (CONTINUED)

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period. The Company's pro forma information follows:

	YEAR ENDED DECEMBER 31		
	2000	1999	1998
Pro forma net income/(loss)	$22,797,000	$(12,573,000)	$(74,674,000)
Basic income/(loss) per share	$ 9.64	$ (58.41)	$ (435.81)
Diluted income/(loss) per share	$ 7.50	$ (58.41)	$ (435.81)

7. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. The carrying value of accounts receivable, accounts payable and accrued liabilities approximates fair value because of the short maturity of those instruments. The estimated fair value of the Company's long-term obligations is estimated based on the current rates offered to the Company for similar maturities. At December 31, 2000, 1999 and 1998, the carrying value of long-term obligations exceeded their fair values by approximately $14,500,000, $62,500,000 and $22,500,000, respectively. The estimated fair value of the Company's derivative contracts at December 31, 2000 represented a net liability of approximately $13,540,000.

8. RELATED PARTY TRANSACTIONS

The Company has entered into various hedging arrangements with affiliates of Enron (Note 4).

The Company had entered into a revolving credit facility with ECT, an affiliate of Enron. During the year ended December 31, 1998, commitment fees of approximately $200,000 and interest totaling approximately $9,000 were paid to ECT in connection with this facility. This agreement was terminated in October 1999.

Enron, through its affiliates, participated in indebtedness incurred in connection with the acquisition of the Morgan Properties. During the year ended December 31, 1999, Enron received interest payments of approximately $286,000 from the Company relating to such participation.

The Company paid Enron approximately $75,000 and $100,000 during the years ended December 31, 2000 and 1999, respectively, under the terms of an agreement which allows the Company to consult, among other things, with Enron's engineering staff.

9. INCOME TAXES

The provision (benefit) for income taxes attributable to continuing operations is as follows:

	YEAR ENDED DECEMBER 31		
	2000	1999	1998
Current	$ 782,000	$ --	$ --
Deferred	(1,424,000)	--	--
	$ (642,000)	$ --	$ --

The provision for income taxes differs from amounts computed at the statutory federal income tax rate for the year ended December 31, 2000 as follows:

Statutory income tax provision	$ 716,000
State income taxes, net of federal benefit	63,000
Change in valuation allowance	(1,221,000)
Utilization of net operating loss carryforwards	(203,000)
Other, net	3,000
	$ (642,000)

The Company's effective tax rate differs from the U.S. statutory rate for each of the years ended December 31, 1999 and 1998 due to losses for which no deferred tax benefit was recognized. The tax effects of the primary temporary differences giving rise to the deferred federal income tax assets and liabilities at December 31, 2000 and 1999, follow:

	2000	1999
Deferred income tax assets (liabilities):		
Unrealized derivative losses	$ 5,097,000	$ --
Net operating loss carryforwards	8,116,000	21,576,000
Oil and gas		

properties, principally due to differences in depreciation and amortization	212,000	3,438,000
Other	(3,000)	(76,000)
	13,422,000	24,938,000
Less valuation allowance	(12,201,000)	(24,938,000)
Net deferred income tax asset	$ 1,221,000	$ --

The net changes in the total valuation allowance for the years ended December 31, 2000 and 1999 were a decrease and an increase of $12,737,000 and $3,000,000, respectively. The Company's net operating loss carryforwards (NOLs) begin expiring in 2018. The Company is limited to an annual utilization of its NOLs of approximately $1,100,000 as a result of the Recapitalization. To the extent that the Company utilizes in the future NOLs existing as of the date of the Recapitalization but which were not recognized as deferred tax assets prior to the Recapitalization, the benefit of the NOLs will be credited to additional paid-in capital. During 2000, the Company utilized NOLs approximating $68,000 (tax effected), which was credited to additional paid-in capital.

9. INCOME TAXES (CONTINUED)

During 2000, NOLs of approximately $21,144,000 were used to offset taxable income associated with the extraordinary gain recognized upon the retirement of $75,000,000 of Notes (Note 4).

10. COMMITMENTS AND CONTINGENCIES

The Company is involved in certain disputes and other matters arising in the normal course of business. Although the ultimate resolution of these matters cannot be reasonably estimated at this time, management does not believe that they will have a material adverse effect on the financial condition or results of operations of the Company.

11. OIL AND GAS PRODUCING ACTIVITIES

The following tables set forth supplementary disclosures for oil and gas producing activities in accordance with Statement of Financial Accounting Standards No. 69.

RESULTS OF OPERATIONS FOR PRODUCING ACTIVITIES

The following sets forth certain information with respect to results of operations from oil and gas producing activities for the years ended December 31, 2000, 1999 and 1998:

	2000	1999	1998
Oil and gas sales	$ 4,484,000	$ 3,625,000	$ 5,852,000
Net profits and royalty interests revenues	31,507,000	21,955,000	15,947,000
Production expenses	(1,727,000)	(1,622,000)	(4,326,000)
Depreciation and amortization	(8,560,000)	(9,281,000)	(10,749,000)
Write-down of oil and gas properties	--	--	(63,199,000)
Results of operations (excludes corporate overhead and interest expense)	$ 25,704,000	$ 14,677,000	$(56,475,000)

Depreciation and amortization of oil and gas properties was $0.78, $0.70, and $0.85 per Mcfe produced for the years ended December 31, 2000, 1999 and 1998, respectively.

The following table summarizes capitalized costs relating to oil and gas producing activities and related amounts of accumulated depreciation and amortization at December 31, 2000 and 1999:

	2000	1999
Oil and gas properties - proved	$ 191,204,000	$ 181,549,000
Accumulated depreciation and amortization	(94,214,000)	(85,771,000)
Net capitalized costs	$ 96,990,000	$ 95,778,000

11. OIL AND GAS PRODUCING ACTIVITIES (CONTINUED)

COSTS INCURRED

The following sets forth certain information with respect to costs incurred, whether expensed or capitalized, in oil and gas activities for the years ended December 31, 2000, 1999 and 1998:

	2000	1999	1998
Property acquisition costs	$ --	$ --	$141,262,000
Development costs	$ 13,043,000	$ 7,494,000	$ 12,699,000

12. SUPPLEMENTARY OIL AND GAS DATA (UNAUDITED)

RESERVE QUANTITY INFORMATION

The following table presents the Company's estimate of its proved oil and gas reserves, all of which are located in the United States. The Company emphasizes that reserve estimates are inherently imprecise and that estimates of new discoveries are more imprecise than those of producing oil and gas properties. Accordingly, the estimates are expected to change as future information becomes available. The estimates at December 31, 1999 and 2000 have been prepared by independent petroleum reservoir engineers. The estimates at December 31, 1997 and 1998 have been prepared by the Company's petroleum engineers.

	OIL (Bbls)	GAS (Mcf)
Proved reserves:		
Balance at December 31, 1997	7,115,000	20,979,000
Purchases of minerals in place	3,579,000	160,913,000
Revisions of previous estimates and other	(3,334,000)	44,000
Production	481,000	9,931,000
Balance at December 31, 1998		

6,879,000
172,005,000
Sales of
minerals in
place
(2,735,000)
(18,243,000)
Revisions
of previous
estimates
and other
648,000
(2,323,000)
Production
339,000
11,441,000

- ---------
--- Balance
at December
31, 1999
4,453,000
139,998,000
Sales of
minerals in
place
(1,000)
(7,035,000)
Revisions
of previous
estimates
and other
(2,875,000)
6,610,000
Production
216,000
9,797,000 -

- Balance
at December
31, 2000
1,361,000
129,776,000
============
============
Proved
developed
reserves:
Balance at
December
31, 1997
2,352,000
12,566,000
============
============
Balance at
December
31, 1998
4,317,000
120,373,000
============
============
Balance at
December
31, 1999
1,937,000
86,044,000
============
============
Balance at
December
31, 2000
1,253,000
84,669,000
============
============

12. SUPPLEMENTARY OIL AND GAS DATA (UNAUDITED) (CONTINUED)

STANDARDIZED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS RELATING TO PROVED OIL AND GAS RESERVES

The Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Oil and Gas Reserves (Standardized Measure) is a disclosure requirement under Statement of Financial Accounting Standards No. 69.

The Standardized Measure of discounted future net cash flows does not purport to be, nor should it be interpreted to present, the fair value of the Company's oil and gas reserves. An estimate of fair value would also take into account, among other things, the recovery of reserves not presently classified as proved, the value of unproved properties and consideration of expected future economic and operating conditions.

Under the Standardized Measure, future cash flows are estimated by applying year-end prices, adjusted for fixed and determinable escalations, to the estimated future production of year-end proved reserves. Future cash inflows are reduced by estimated future production and development costs based on period-end costs to determine pretax cash inflows. Future income taxes are computed by applying the statutory tax rate to the excess of pretax cash inflows over the Company's tax basis in the associated properties. Tax credits, net operating loss carryforwards and permanent differences are also considered in the future tax calculation. Future net cash inflows after income taxes are discounted using a 10% annual discount rate to arrive at the Standardized Measure.

The Standardized Measure of discounted future net cash flows relating to proved oil and gas reserves as of December 31, 2000 and 1999, is as follows:

	2000	1999
Future cash inflows	$ 1,451,177,000	$ 435,370,000
Future costs and expenses:		
Production expenses	(223,812,000)	(133,463,000)
Development costs	(21,441,000)	(24,984,000)
Future income taxes	(370,200,000)	(30,500,000)
Future net cash flows	835,724,000	246,423,000
10% annual discount for estimated timing of cash flows	(465,502,000)	(129,744,000)
Standardized Measure of discounted future net cash flows	$ 370,222,000	$ 116,679,000

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12. SUPPLEMENTARY OIL AND GAS DATA (UNAUDITED) (CONTINUED)

Changes in the Standardized Measure of discounted future net cash flows relating to proved oil and gas reserves for the years ended December 31, 2000, 1999 and 1998 are as follows:

	2000	1999	1998
Beginning balance	$ 116,679,000	$ 108,287,000	$ 28,111,000
Purchases of minerals in place	--	--	135,418,000
Sales of minerals in place	(12,953,000)	(16,035,000)	--
Developed during the period	13,043,000	7,494,000	12,699,000
Net change in prices and costs	501,474,000	62,102,000	(70,744,000)
Revisions of previous estimates	(74,940,000)	(21,368,000)	6,665,000
Accretion of discount	11,668,000	10,829,000	2,811,000
Net change in income taxes	(150,485,000)	(10,672,000)	10,800,000
Sales of oil and gas produced, net of production expenses	(34,264,000)	(23,958,000)	(17,473,000)
Balance at December 31	$ 370,222,000	$ 116,679,000	$

108,287,000
=============
=============
=============

The weighted average prices of oil and gas used in calculating the Standardized Measure at December 31, 2000, 1999 and 1998 were as follows:

	2000	1999	1998
Natural gas (Per MCF)	$ 10.92	$ 2.35	$ 1.84
Oil (per Bbl)	$ 25.88	$ 23.91	$ 10.79

The future cash flows shown above for 2000 include amounts attributable to proved undeveloped reserves requiring approximately $20,648,000 of future development costs. If these reserves are not developed, the future net cash flows shown above would be significantly reduced.

Estimates of economically recoverable oil and natural gas reserves and of future net revenues are based upon a number of variable factors and assumptions, all of which are to some degree speculative and may vary considerably from actual results. Therefore, actual production, revenues, taxes, development and operating expenditures may not occur as estimated. The reserve data are estimates only, are subject to many uncertainties and are based on data gained from production histories and on assumptions as to geologic formations and other matters. Actual quantities of oil and natural gas may differ materially from the amounts estimated.

13. QUARTERLY FINANCIAL RESULTS (UNAUDITED)

2000	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
Total revenues	$ 6,673,000	$ 8,231,000	$ 10,276,000	$ 10,901,000
Operating income	$ 6,101,000	$ 7,709,000	$ 9,812,000	$ 10,732,000
Income (loss) before extraordinary item and cumulative effect of accounting change	$ (1,618,000)	$ 190,000	$ 1,377,000	$ 2,704,000
Extraordinary gain	$ --	$ --		$ 21,144,000
Cumulative effect of accounting change, net of tax	$ --	$ --	$ 413,000	$ --
Net income (loss)	$ (1,618,000)	$ 190,000	$ 1,790,000	$ 23,848,000
Income (loss) before extraordinary item and cumulative effect of accounting change per common share	$ (5.59)	$ 0.15	$ 0.83	$ 0.30
Net income (loss) per common share				

$ (5.59) $ 0.15 $ 1.08 $ 2.69

1999	MARCH 31	JUNE 30	SEPTEMBER 30	DECEMBER 31
Total revenues	$ 6,734,000	$ 6,986,000	$ 5,543,000	$ 6,653,000
Operating income	$ 6,015,000	$ 6,363,000	$ 5,385,000	$ 6,533,000
Loss before extraordinary item	$ (1,977,000)	$ (2,183,000)	$ (2,242,000)	$ (4,258,000)
Extraordinary loss	$ --	$ --	$ --	$ (1,130,000)
Net loss	$ (1,977,000)	$ (2,183,000)	$ (2,242,000)	$ (5,388,000)
Loss before extraordinary item per common share	$ (0.06)	$ (0.07)	$ (0.07)	$ (0.12)
Net loss per common share	$ (0.06)	$ (0.07)	$ (0.07)	$ (0.15)

ITEM 1. FINANCIAL STATEMENTS

DEVX ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(UNAUDITED)

	SEPTEMBER 30, 2001	DECEMBER 31, 2000
ASSETS		
Current assets:		
Cash	$ 11,168,000	$ 10,985,000
Other current assets	6,080,000	10,740,000
Total current assets	17,248,000	21,725,000
Net property and equipment	110,275,000	97,091,000
Other assets	5,215,000	4,174,000
	$ 132,738,000	$ 122,990,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and other	$ 10,697,000	$ 7,507,000
Derivatives	--	1,507,000
Total current liabilities	10,697,000	9,014,000
Long-term obligations, net of current portion	50,000,000	50,000,000
Derivatives	1,779,000	12,246,000
Commitments	--	--
Stockholders' equity:		
Common stock, $0.234 par value, authorized 100,000,000 shares: Issued and		

outstanding
12,649,522
and
12,748,612
shares at
September 30,
2001 and
December 31,
2000,
respectively
2,983,000
2,983,000
Additional
paid-in
capital
60,165,000
60,159,000
Treasury
stock, at
cost: 100,000
shares
(525,000) --
Retained
earnings
9,418,000
834,000
Accumulated
other
comprehensive
loss
(1,779,000)
(12,246,000)

- -----------
--- Total
stockholders'
equity
70,262,000
51,730,000 --

- Total
liabilities
and
stockholders'
equity $
132,738,000 $
122,990,000
==============
==============

See accompanying notes to unaudited consolidated condensed financial statements.

DEVX ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
(UNAUDITED)

THREE MONTHS
ENDED NINE
MONTHS ENDED
SEPTEMBER 30
SEPTEMBER 30

-- ----------

----- 2001
2000 2001
2000 --------
---- --------
---- --------

---- --------

Revenues: Oil
and gas sales
$ 580,000 $
1,317,000 $
2,768,000 $
3,501,000 Net
profits and
royalty
interests
5,552,000
8,944,000
24,653,000
21,605,000
Interest and
other income
118,000
15,000
377,000
74,000 ------
------ ------
------ ------
------ ------
------ Total
revenues
6,250,000
10,276,000
27,798,000
25,180,000 --
---------- --
---------- --
---------- --

Expenses: Oil
and gas
production
expenses
162,000
464,000
1,160,000
1,558,000
Depreciation,
depletion and
amortization
2,424,000
2,074,000
7,087,000
6,354,000
General and
administrative
2,051,000
924,000
4,139,000
2,475,000
Interest and
financing
expense
1,836,000
4,941,000
5,518,000
14,348,000 --
---------- --
---------- --
---------- --

Total
expenses
6,473,000
8,403,000
17,904,000
24,735,000 --
---------- --
---------- --
---------- --

Operating
income (loss)
(223,000)
1,873,000
9,894,000

445,000
Change in
fair value of
derivatives
535,000
(496,000)
3,730,000
(496,000) ---
--------- ---
--------- ---
--------- ---

Income (loss)
before
cumulative
effect of
accounting
change
312,000
1,377,000
13,624,000
(51,000)
Cumulative
effect of
accounting
change, net
of tax --
413,000 --
413,000 -----
------- -----
------- -----
------- -----

Income before
income taxes
312,000
1,790,000
13,624,000
362,000
Income taxes
(114,000) --
(5,040,000) -
- -----------
- -----------
- -----------
- -----------
- Net income
$ 198,000 $
1,790,000 $
8,584,000 $
362,000
============
============
============
============
Earnings per
common share:
Basic $ 0.02
$ 3.46 $ 0.67
$ 0.91
============
============
============
============
Diluted $
0.02 $ 1.08 $
0.67 $ 0.34
============
============
============
============
Weighted
average
shares
outstanding:
Basic
12,744,274
517,237
12,747,150
397,034
============

============
============
============
Diluted
12,745,568
1,652,224
12,804,465
1,076,644
============
============
============
============

See accompanying notes to unaudited consolidated condensed financial statements.

DEVX ENERGY, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30	
	2001	2000
Cash flows from operating activities:		
Net income	$ 8,584,000	$ 362,000
Depreciation, depletion and amortization	7,660,000	7,648,000
Cumulative effect of accounting change	--	(413,000)
Change in fair value of derivatives	(3,730,000)	496,000
Net change in operating assets and liabilities	8,465,000	(8,710,000)
Net cash provided by (used in) operating activities	20,979,000	(617,000)
Cash flows used in investing activities:		
Additions to property and equipment	(20,573,000)	(8,324,000)
Proceeds from sale of oil & gas properties	302,000	3,551,000
Net cash used in investing activities	(20,271,000)	(4,773,000)

Cash flows
from
financing
activities:
Proceeds
from long-
term debt --
4,894,000
Payments on
long-term
obligations
-- (877,000)
Purchase of
treasury
stock
(525,000) --

Net cash
provided by
(used in)
financing
activities
(525,000)
4,017,000 --
---------- -

Net increase
(decrease)
in cash
183,000
(1,373,000)
Cash at
beginning of
period
10,985,000
3,376,000 --
---------- -

Cash at end
of period $
11,168,000 $
2,003,000
============
============

See accompanying notes to unaudited consolidated condensed financial statements.

DEVX ENERGY, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
SEPTEMBER 30, 2001
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of DevX Energy, Inc. and its wholly owned subsidiaries (collectively, the "Company") after elimination of all significant intercompany balances and transactions. The financial statements have been prepared in conformity with generally accepted accounting principles which require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. While management has based their assumptions and estimates on the facts and circumstances currently known, final amounts may differ from such estimates.

The interim financial statements contained herein are unaudited but, in the opinion of management, include all adjustments (consisting only of normal recurring entries) necessary for a fair presentation of the financial position and results of operations of the Company for the periods presented. The results of operations for the three months and the nine months ended September 30, 2001 are not necessarily indicative of the operating results for the year ending December 31, 2001. Moreover, these financial statements do not purport to contain complete disclosure in conformity with generally accepted accounting principles and should be read in conjunction with the Company's Annual Report on Form 10-K for the transition period ended December 31, 2000.

2. DERIVATIVES

The Company utilizes certain derivative financial instruments -- primarily swaps, floors and collars -- to reduce the risk of adverse changes in future oil and natural gas prices. Effective July 1, 2000, the Company adopted Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133), which requires the Company to recognize all derivatives on the balance sheet at fair value. The Company estimates fair value based on quotes obtained from the counter-parties to the derivative contracts. The Company recognizes the fair value of derivative contracts that expire in less than one year as current assets or liabilities. Those that expire in more than one year are recognized as long-term assets or liabilities. Derivatives that are not accounted for as hedges are adjusted to fair value through income. If the derivative is designated as a hedge, depending on the nature of the hedge, changes in fair value are either offset against the change in fair value of the hedged assets, liabilities or firm commitments through earnings or recognized in other comprehensive income until the hedged item is recognized in earnings.

The Company has designated a natural gas swap as a cash flow hedge. For derivatives classified as cash flow hedges, changes in fair value are recognized in other comprehensive income until the hedged item is recognized in earnings. The ineffective portion of any change in the fair value of a derivative designated as a hedge is immediately recognized in earnings. Hedge effectiveness is measured quarterly based on the relative fair value between the derivative contract and the hedged item over time. During the three months ended September 30, 2001, the Company recognized a decrease in the derivative liability and an associated decrease in other comprehensive loss totaling approximately $2,405,000. During the nine months ended September 30, 2001, the Company recognized a decrease in the derivative liability and an associated decrease in other comprehensive loss totaling approximately $10,467,000. As of September 30, 2001, other current assets included $738,000 and other assets include $1,699,000 related to the fair value of derivative contracts.

During the three and nine months ended September 30, 2001, the Company recognized non-cash gains of $535,000 and $3,730,000, respectively, in earnings related to the net change in fair value of derivative contracts which have not been designated as hedges.

During the three months ended September 30, 2001, the Company received $464,000 and for the nine months ended September 30, 2001, the Company paid $3,428,000 in cash settlements on its natural gas hedges, which are included in net profits and royalty interests.

3. COMPREHENSIVE INCOME

Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. For the three months ended September 30, 2001, the Company's comprehensive income differed from net income by approximately $2,405,000 related to the change in fair value of a natural gas swap contract designated as a hedge. For the three months ended September 30, 2000, the Company's comprehensive income differed from net income by $8,866,000. For the nine-month period ending September 30, 2001, the Company's comprehensive income differed from net income by approximately $10,467,000 related to the change in fair market value of a natural gas swap contract designated as a hedge. For the nine months ended September 30, 2000, the Company's comprehensive income differed from net income by $8,866,000.

4. EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per common share:

```
   THREE
   MONTHS
 ENDED NINE
   MONTHS
   ENDED
 SEPTEMBER
     30
 SEPTEMBER
30 --------
-----------
-------- --
-----------
-----------
  --- 2001
 2000 2001
2000 ------
------ ----
-------- --
 ----------
-----------
     -
 Numerator:
 Numerator
 for basic
  earnings
 per common
share - net
  income $
 198,000 $
1,790,000 $
8,584,000 $
  362,000
============
============
============
============
Denominator:
Denominator
 for basic
  earnings
 per common
  share -
  weighted
  average
   shares
 12,744,274
  517,237
 12,747,150
  397,034
  Dilutive
 effect of
   stock
options and
  warrants
  1,294 --
 57,315 --
  Dilutive
 effect of
   common
   stock
 repricing
 rights --
1,134,987 -
- 679,610 -
-----------
-----------
- ---------
--- -------
   -----
Denominator
for diluted
  earnings
```

per common
share -
adjusted
weighted
average
shares
12,745,568
1,652,224
12,804,465
1,076,644
============
============
============
============
Earnings
per common
share Basic
$ 0.02 $
3.46 $ 0.67
$ 0.91
============
============
============
============
Diluted $
0.02 $ 1.08
$ 0.67 $
0.34
============
============
============
============

Weighted average common shares outstanding and losses per common share for the three and nine months ended September 30, 2000 have been restated for the effects of a 156-to-1 reverse stock split.

5. CEILING TEST WRITEDOWN

Based on oil and natural gas prices in effect on September 30, 2001, a ceiling test writedown in the amount of $37.8 million would have been required to be charged against earnings. Due to the increases in natural gas prices subsequent to September 30, 2001, this writedown was not recorded. However, if prices decline to third quarter levels at year end, such an adjustment will be required.

6. SUBSEQUENT EVENT

The Company announced on November 13, 2001 that it has entered into a definitive agreement which provides for a wholly owned subsidiary of Comstock Resources, Inc. to acquire the Company in a transaction in which DevX shareholders would receive $7.32 in cash per DevX share.

The acquisition will be effected by a first step cash tender offer for all of the Company's outstanding common stock. The tender offer is expected to commence on November 15, 2001 and to remain open for at least 20 business days. The tender offer will be followed by a merger in which shareholders whose shares are not acquired in the tender offer will receive $7.32 per share in cash. The offer is conditioned on, among other things, greater than 50% of the Company's outstanding shares being tendered. There is no assurance that a transaction will be completed.