This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. No securities commission or similar authority in Canada has in any way passed upon the merits of the securities offered hereunder and any representation to the contrary is an offence. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended. Accordingly, except to the extent exempt from such registration requirements, these securities may not be offered or sold within the United States of America. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of these securities within the United States of America. See "Plan of Distribution."

New Issue **January 29, 2001**

DEVLAN EXPLORATION INC.

1,787,420 Common Shares Issuable on Exercise of Flow-Through Special Warrants

This prospectus qualifies for distribution of 1,787,420 common shares ("Common Shares") of Devlan Exploration Inc. ("Devlan" or the "Corporation"), issuable on exercise (industry automatic exercise) of 1,787,420 Flow-Through Special Warrants previously issued by the Corporation. The distribution of Common Shares hereunder will not result in any proceeds being realized by the Corporation. Each Flow-Through Special Warrant entitles the holder thereof to acquire, without payment of additional consideration, one Common Share (subject to adjustment in certain circumstances). The Flow-Through Special Warrants were issued by the Corporation on October 31, 2000 at a price of $1.67 per Flow-Through Special Warrant for aggregate gross proceeds of $2,984,992, with $100,200 of such proceeds being held by Montreal Trust Company of Canada, as trustee. The Flow-Through Special Warrants may be exercised at any time until 4:00 p.m. (Calgary time) (the "Time of Expiry") on the earlier of (i) five days after the date upon which a receipt for this prospectus has been obtained from the last of the securities commissions in the provinces of Alberta, Ontario and British Columbia to issue such receipt; and (ii) October 31, 2001. Flow-Through Special Warrants which have not been exercised by such time shall be automatically exercised and the Common Shares issuable thereby shall be automatically issued to the holders of the Flow-Through Special Warrants at such time. See "Plan of Distribution" and "Details of the Offering". The Toronto Stock Exchange (the "TSE") has conditionally approved the listing of the Common Shares, subject to the Corporation fulfilling all of the requirements of the TSE on or before April 24, 2001.

The Corporation will use the aggregate gross proceeds from sale of the Flow-Through Special Warrants to incur Canadian Exploration Expenses ("CEE"), which will be renounced to the Subscribers. See "Use of Proceeds". The issue price of $1.67 per Flow-Through Special Warrant was determined by negotiation between Canaccord Capital Corporation, Dominick & Dominick Securities Inc. (the "Agents") and the Corporation. The outstanding Common Shares are listed for trading on The Canadian Venture Exchange under the trading symbol "DXI". The Corporation has been designated as a Tier 1 issuer by CDNX. On September 20, 2000, the last day of trading of the Common Shares prior to the day on which the offering of the Flow-Through Special Warrants was announced, the closing price of the Common Shares on CDNX was $1.66. On January 26, 2001, the last day prior to January 29, 2001 that the Common Shares traded, the closing price for the Common Shares on CDNX was $2.80.

	Price to Subscriber	Agents' Commission(1)	Net Proceeds(2)
Per Flow-Through Special Warrant	$1.67	$0.0835	$1.5865
Total Offering	$2,984,992	$149,249	$2,835,742

Notes:

(1) The Agents' commission was paid out of the Corporation's general corporate funds. No additional commissions will be payable to the Agents upon exercise of the Flow-Through Special Warrants.

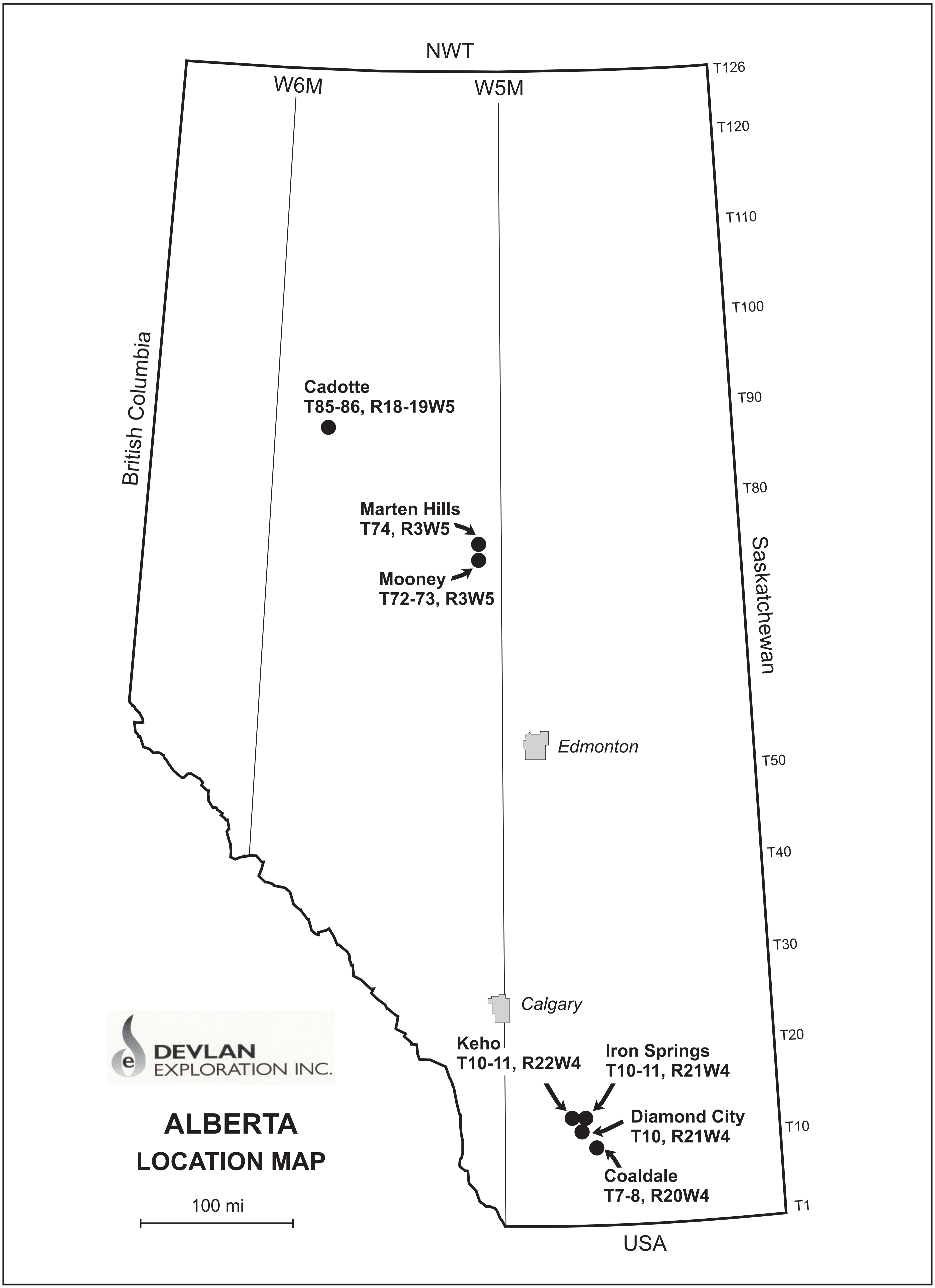
(2) Before deducting expenses of this issue estimated to be $85,000 which are being paid out of the Corporation's general corporate funds.

The effective issue price of $1.67 per Common Share exceeds the net tangible book value of the Common Shares as at September 30, 2000, after giving effect to this offering and the exercise of all convertible securities, by $0.924 representing dilution to subscribers of 55.3%. See "Dilution". These securities are considered to be speculative due to the nature of the Corporation's business and its present stage of development. See "Risk Factors".

Certain legal matters relating to the distribution of the Flow-Through Special Warrants and the Common Shares issuable on exercise thereof have been passed upon on behalf of the Corporation by Blake, Cassels & Graydon LLP and on behalf of the Agents by Stikeman Graham & Keeley.

Certificates evidencing the Common Shares will be available for delivery upon exercise of the Flow-Through Special Warrants.

An investment in the securities of the Corporation should be considered speculative due to the nature of the Corporation's business, its present stage of development and the need for additional financing. The success of oil and gas exploration and development cannot be assured. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of the management of the Corporation. **An investment in natural resource issuers involves a significant degree of risk. The degree of risk associated with an investment in Common Shares is increased substantially as the Corporation's properties are in the exploration as opposed to the development stage. See "Risk Factors".**


NWT
W6M
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DEVLAN
EXPLORATION INC.
ALBERTA
LOCATION MAP
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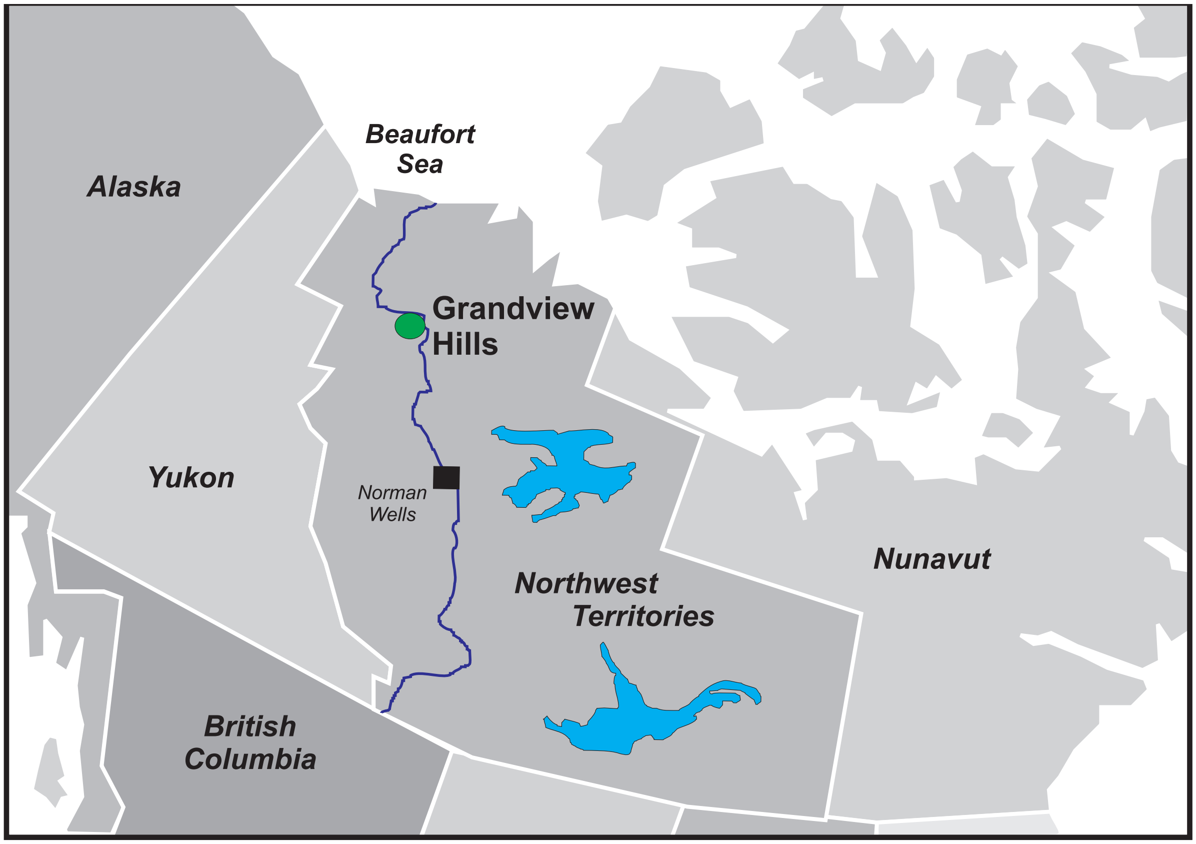
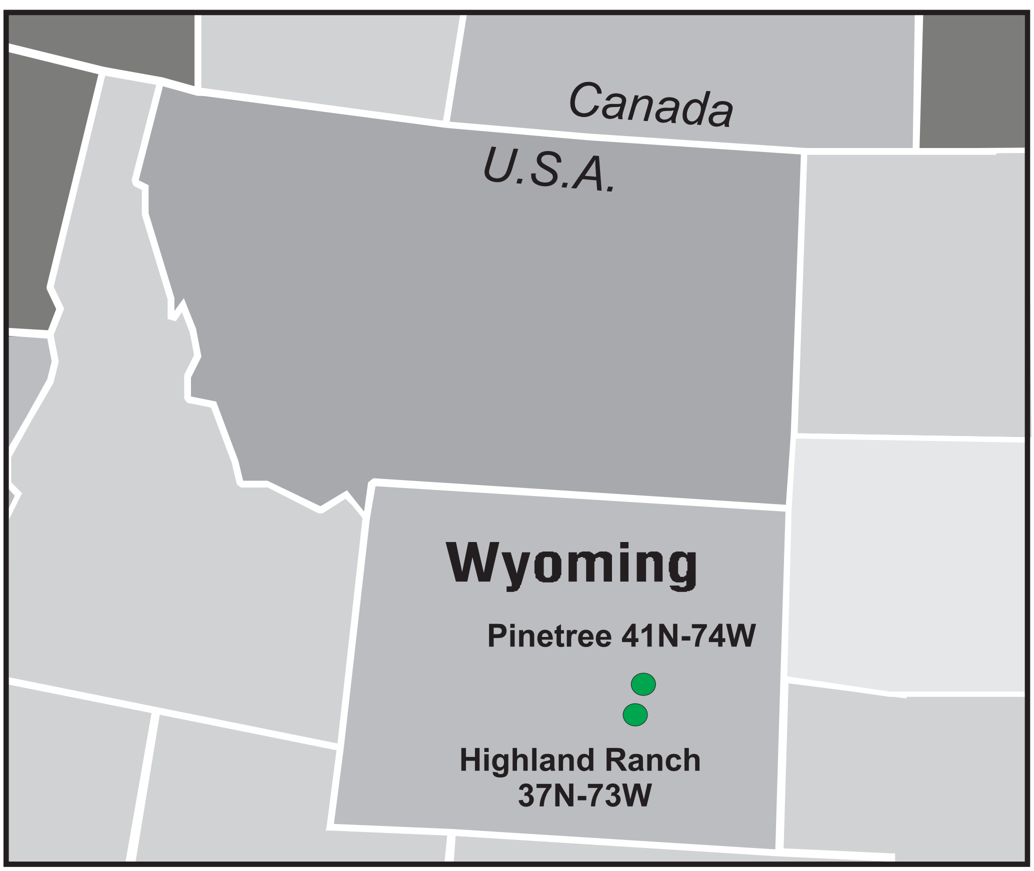


Grandview Hills Location Map



Wyoming Location Map

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GLOSSARY OF TERMS

In this prospectus, the following abbreviations and terms shall have the meanings set forth below, unless otherwise indicated:

"ABCA" means the *Business Corporations Act* (Alberta), as amended;

"Agency Agreement" means the agency agreement dated as of October 31, 2000 between the Corporation and the Agents in connection with the offering of the Flow-Through Special Warrants;

"Agents" means Canaccord and Dominick;

"ASA" means the *Securities Act* (Alberta), as amended;

"ASE" means The Alberta Stock Exchange;

"BCSA" means the *Securities Act* (British Columbia), as amended;

"Bredal" means Bredal Energy Corp., a private corporation directly or indirectly owned by Messrs. Martin Cheyne and Bradley Porter (officers and directors of the Corporation), Mark Cheyne, Neil Torry and Tim Mitchell (as to 20% each);

"Canaccord" means Canaccord Capital Corporation;

"Canadian Exploration Expenditures" or **"CEE"** means those expenses described in paragraphs (a), (d) or (f) of the definition of "Canadian Exploration Expense" in subsection 66.1(6) of the Tax Act;

"CDNX" means The Canadian Venture Exchange;

"Common Shares" means common voting shares in the capital of the Corporation as presently constituted;

"Corporation" or **"Devlan"** means Devlan Exploration Inc. and its predecessors and, where the context so permits, includes Devlan Wyoming;

"Debenture" means the two year $1,000,000 subordinated convertible redeemable debenture to be due September 20, 2002 as described under "Management's Discussion and Analysis - Nine Months Ended September 30, 2000 (Unaudited) Compared to Nine Months Ended September 30, 1999 (Unaudited)" and "Interest of Management and Others";

"Devlan Wyoming" means Devlan Exploration Company (Wyoming) Inc., a corporation incorporated on April 17, 1997 by articles of incorporation pursuant to the laws of the state of Wyoming and a wholly-owned subsidiary of Devlan;

"Dominick" means Dominick & Dominick Securities Inc.;

"Filing Provinces" means the provinces of Alberta, British Columbia and Ontario;

"Flip-in Event" means a transaction occurring subsequent to September 11, 1998 as a result of which any person shall become an Acquiring Person (as defined in the Rights Plan) provided, however, that a Flip-in Event, shall be deemed to occur at the close of business on the tenth day (or such later day as the board of directors of the Corporation may determine) after the Stock Acquisition Date;

"Flow-Through Special Warrant Indenture" means the flow-through special warrant indenture dated as of October 31, 2000 between the Corporation and Montreal Trust as trustee thereunder;

"Flow-Through Special Warrants" means the special warrants issued pursuant to the Flow-Through Special Warrant Indenture;

"gross acres" means the total number of acres in which the Corporation has an interest;

"gross wells" means the total number of wells in which the Corporation has an interest;

"Montreal Trust" means Montreal Trust Company of Canada;

"NAFTA" means the North American Free Trade Agreement;

"NEB" means the National Energy Board;

"net acres" means gross acres multiplied by the relevant working interest of the Corporation therein;

"net wells" means gross wells multiplied by the relevant working interest of the Corporation therein;

"Option Plan" means the stock option plan of the Corporation as described under "Stock Options";

"Options" means the options to purchase Common Shares issued prior to the date hereof;

"Permitted Bid" means a take-over bid permitted by the Rights Plan;

"Preferred Shares" means the first preferred shares and second preferred shares of the Corporation as presently constituted;

"Proven Reserves", **"Proven Developed Reserves"** and **"Probable Reserves"** have the meanings given to those terms in the notes under "Oil and Gas Reserves";

"Rights" means the rights attaching to each of the outstanding Common Shares pursuant to the Rights Plan;

"Rights Plan" means the Shareholder Rights Plan Agreement dated and effective September 11, 1998 between the Corporation and Montreal Trust Company of Canada as rights agent;

"Seaton-Jordan" means Seaton-Jordan Associates Ltd.;

"Seaton-Jordan Reports" means the independent assessments of the market value of Devlan's undeveloped acreage prepared by Seaton-Jordan dated December 29, 2000 and effective October 31, 2000;

"Securities Commissions" means the securities commissions in each of the Filing Provinces;

"Shareholder" or **"Devlan Shareholder"** means a holder of record of one or more Common Shares;

"shut-in wells" means wells which have encountered and are capable of producing natural gas or oil, as applicable, but which are not producing due to lack of available transportation facilities, available markets or other reasons;

"Sproule" means Sproule Associates Limited, independent petroleum consultants;

"Sproule Report" means the independent engineering evaluation prepared by Sproule dated October 1, 2000 evaluating as of October 1, 2000, the natural gas and crude oil reserves of Devlan and the future net production revenues attributable thereto;

"Stock Acquisition Date" shall mean the first date of public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to section 141 of the *Securities Act* or Section 13(d) under the 1934 *Exchange Act*) by the Corporation or an Acquiring Person (as defined in the Rights Plan) that a person has become an Acquiring Person;

"Subscription Agreements" means the agreements pursuant to which the Flow-Through Special Warrants were issued;

"Tax Act" means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as amended;

"Time of Expiry" means 4:00 p.m. (Calgary time) on the date which is the earlier of:

(i) five days after the Qualification Date; and

(ii) October 31, 2001;

"TSE" means The Toronto Stock Exchange;

"U.S. Person" has the meaning ascribed to it by Regulation S adopted by the United States Securities and Exchange Commission under the 1933 Act;

"working interest" means the net interest held in an oil and natural gas property which normally bears its proportionate share of the costs of exploration, development and operations as well as any royalties or other production burdens; and

"1933 Act" means the *United States Securities Act of 1933*, as amended.

ABBREVIATIONS AND CONVERSIONS

In this prospectus, the following abbreviations and terms have the meanings set forth below:

Crude Oil and Natural Gas Liquids

WTI	West Texas Intermediate
API	America Petroleum Institute
Bbl	one stock tank barrel
Bbls	Barrels
Mbbls	one million barrels
BOPD	barrels of oil per day
BOE	barrels of oil equivalent converting 10 Mcf of natural gas to one barrel of oil equivalent and one barrel of natural gas liquids to one barrel of oil equivalent. The factor used to convert natural gas and natural gas liquids to oil equivalent is not based on either energy content or prices but is a commonly used industry benchmark
MBOE	thousands of barrels of oil equivalent
BOED	barrels of oil equivalent per day
NGL	natural gas liquid
STB	stock tank barrel
MSTB	thousand stock tank barrels

Natural Gas

Mcf	one thousand standard cubic feet
BTU	British Thermal Units
Mmcf	one million standard cubic feet
Bcf	one billion standard cubic feet
Mcfd	one thousand standard cubic feet per day
Mmcfd	one million standard cubic feet per day
GJ	gigajoules
GJd	gigajoules per day
MMBTU	million British thermal units
ARTC	Alberta Royalty Tax Credit

The following table sets forth standard conversions from standard imperial units to the international system of units (or metric units).

To Convert From	To	Multiply By
BOE	Mcf	10
Mcf	Cubic metres ("m^3")	28.1743
Cubic metres	Cubic feet 3	5.494
Bbls	Cubic metres ("m^3")	0.1593
Cubic metres ("m^3")	Bbls oil	6.2903
Feet	Metres	0.305
Metres	Feet	3.281
Miles	Kilometres	1.609
Kilometres	Miles	0.621
Acres	Hectares	0.405
Hectares (Saskatchewan)	Acres	2.471
Hectares (Alberta)	Acres	2.500

All dollar amounts set forth in this prospectus are in Canadian dollars, except where otherwise indicated.

"m" means thousands of dollars.

PROSPECTUS SUMMARY

The following is a summary only, is qualified by and must be read in conjunction with the more detailed information appearing elsewhere in this prospectus. For an explanation of certain terms and abbreviations used in this prospectus, please refer to the "Glossary of Terms."

Devlan Exploration Inc.

Devlan is a natural gas and oil company based in Calgary which actively participates in the exploration for, and the acquisition, development and production of, petroleum and natural gas resources in northern and western Canada. The outstanding Common Shares are listed for trading on CDNX under the trading symbol "DXI". The Corporation has been designated as a Tier 1 issuer by CDNX. The TSE has conditionally approved the listing of the Common Shares, subject to the Corporation fulfilling all of the requirements of the TSE on or before April 24, 2001. Devlan's principal properties are located in the Slave Lake and Lethbridge areas of Alberta and in the Grandview Hills area of the Northwest Territories.

The Slave Lake properties are made up of Marten Hills and Mooney. Marten Hills, where a significant portion of Devlan's exploration and development work program for 2001 is located, is a shallow, sweet gas property. Devlan holds approximately 40,679 net undeveloped acres that is to support its exploration activities in the area for at least the next two years. Marten Hills is a multi-zone play targeting the Viking, Colony, Clearwater, Sparky, Wabiskaw and Belly river zones.

Devlan holds a 30% working interest in the Mooney area that is made up of two natural gas wells that have been tested at a combined rate in excess of 7.0 Mmcfd. A refrigeration facility and 36.15 kilometre pipeline were completed in 2000 and both wells were put on production on December 18, 2000.

Lethbridge area production is from the Bow Island formation at 1,000 meters. The Corporation holds approximately 8,000 undeveloped acres in this area and will selectively explore and develop these properties going forward.

The Northwest Territories property is a multi-zone play between 1,200 and 4,000 meters targeting both liquids and natural gas. See "Description of Principal Properties".

Issue:

1,787,420 Common Shares issuable upon exercise of previously issued Flow-Through Special Warrants. See "Plan of Distribution" and "Details of the Offering".

Exercise Details: Each Flow-Through Special Warrant entitles the holder thereof to acquire, at no additional cost, one Common Share at any time on or before the earlier of: (i) the date which is five days after the date upon which a receipt for a (final) prospectus has been obtained from the last of Securities Commissions; and (ii) October 31, 2001. Any Flow-Through Special Warrant not exercised prior to the Time of Expiry shall be automatically exercised immediately prior to the Time of Expiry without any further action on the part of the holder. If the Corporation does not obtain such receipts for a (final) prospectus dated on or before February 28, 2001, being 120 days following closing of the private placement of the Flow-Through Special Warrants, each holder of Flow-Through Special Warrants in a filing Province in which such a receipt has not been obtained will thereafter be entitled upon exercise thereof to receive, subject to adjustment in accordance with the Flow-Through Special Warrant Indenture, 1.1 Common Shares (of which 0.1 of a Common Share will not entitle the holder to any additional flow-through tax benefits) in lieu of the one Common Share that each Flow-Through Special Warrant was previously exercisable into.

Use of Proceeds: The gross proceeds to the Corporation from the sale of the Flow-Through Special Warrants were $2,984,992. Gross proceeds raised under the blanket order of the Alberta Securities Commission dated February 1, 1999 in the amount of $100,200 are being held by Montreal Trust and those funds held in trust immediately following the Time of Expiry will be released to the Corporation following the issuance of a receipt for a (final) prospectus by the Alberta Securities Commission. The Agents' commission of $149,249 and expenses of the offering estimated to be $85,000 has been paid from the Corporation's general corporate funds. See "Plan of Distribution".

The aggregate gross proceeds of the issue will be used to incur CEE, which will be renounced to the subscribers pursuant to the terms of the Subscription Agreements. The gross proceeds will be used by the Corporation substantially as follows:

Grandview Hills, NWT:	
Drill and case of exploratory wells (Devlan's 50%)	$2,724,500
15 km of seismic (Devlan's 50%)	260,492
TOTAL	$2,984,992

Although it is the Corporation's current intention to apply the gross proceeds of the offering in the manner described above, management regularly reviews its budget with respect to the success of its operations and with respect to other opportunities which may become available from time to time. In the event that management determines that expenditures as originally planned are unwarranted, the remaining proceeds of the offering (if any) will be used in other areas of operations for qualifying CEE in furtherance of the Corporation's business objectives. See "Use of Proceeds".

Selected Production and Financial Information

The following summarizes selected production and selected financial information for the periods indicated. (Production information is stated prior to deduction of royalties.)

	Nine Months Ended September 30		Year Ended December 31		Nine Months Ended December 31, 1997
	2000	1999	1999	1998	
Production Information					
Average Production Volumes:					
Natural gas - Mcf/d	6,291	5,768	5,555	1,765	1,341
Undeveloped Net Acreage:	500,483	69,233	67,271	70,635	20,122

Financial Information	Nine Months Ended September 30 (unaudited)		Year Ended December 31 (audited)		Nine Months Ended December 31, 1997 (audited)
	2000	1999	1999	1998	
Oil and gas sales revenue	6,364,999	3,301,473	4,939,655	1,298,917	606,409
Royalties – net[1]	1,220,661	705,472	886,979	122,823	56,771
Operating expenses	1,120,280	916,768	1,176,335	469,145	258,090
General and administrative expenses	526,881	398,172	647,508	296,891	210,318
Funds provided from operations[2]	3,054,606	863,670	1,478,400	259,413	42,570
- per Common Share (fully diluted)	$ 0.25	$ 0.13	$ 0.13	$ 0.04	$ 0.00
Net earnings (loss)	156,436	818,591	(381,037)	(139,696)	(111,144)
- per Common Share (fully diluted)	$ 0.01	$ 0.12	-	-	-
Total assets[3]	20,382,170	17,251,062	17,698,902	11,486,452	3,796,053
Long term debt[3]	4,852,311	3,756,343	3,876,209	3,530,081	550,000
Shareholders' equity[3]	6,479,292	5,146,873	6,285,555	3,127,131	2,557,145

(1) Royalties – net is calculated as royalties paid less ARTC.
(2) Funds provided from operations is calculated as net earnings adjusted for non-cash items included in net earnings.
(3) As at September 30 or December 31, as applicable.

Selected Reserve Information

The following summarizes Devlan's natural gas reserves, NGLs and oil attributable to its properties, and the present worth value of future net cash flows associated with such reserves as evaluated in the Sproule Report, as of October 1, 2000, based on the constant and escalated price assumptions contained in such reports. In preparing its report, Sproule obtained basic information from Devlan, which included land data, well information, geological information, reservoir studies, estimates of on-stream dates, contract information, current hydrocarbon product prices, operating cost data, capital budget forecasts, financial data and future operating plans. Other engineering, geological or economic data required to conduct the evaluation and upon which the Sproule Report is based, was obtained from public records, other operators and from Sproule's non-confidential files. Information concerning the extent and character of ownership of Devlan's interests and the accuracy of all factual data supplied to Sproule by third parties was accepted by Sproule as represented.

The tables summarize the data contained in the Sproule Report and as a result may contain slightly different numbers than the Sproule Report due to rounding. **All future cash flows are stated prior to provision for income taxes, interest (including debt service charges), general and administrative expenses and indirect costs and after deduction of royalties and estimated future capital expenditures. It should not be assumed that the present worth of estimated future cash flows shown below is representative of the fair market value of the reserves. There is no assurance that such price and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of Devlan's oil, NGL and natural gas reserves provided herein are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided herein. The probable additional reserve volumes and**

the present value of estimated future cash flows from such reserves as shown in the tables have been reduced by a factor of 50% to account for risk. See "Oil and Gas Reserves."

Summary of Estimated Reserves of the Corporation (as of October 1, 2000)

	Working Interest Reserves						Present Value of Estimated Future Net Cash Flow, $000 Discounted at Rates of:			
	Gross			Net						
	Oil (Mbbls)	Pipeline Gas (Mmcf)	NGLs (Mbbls)	Oil (Mbbls)	Pipeline Gas (Mmcf)	NGLs (Mbbls)	0%	10%	15%	20%
Constant Prices and Costs										
Proven Reserves										
Developed Producing	0	12,803	0	0	9,726	0	53,836	39,641	35,464	32,260
Developed Non-Producing	0	160	0	0	129	0	628	465	410	366
Undeveloped	0	1,985	13	0	1,466	9	7,022	5,168	4,509	3,970
Total Proven Reserves	0	14,948	13	0	11,321	9	61,486	45,274	40,383	36,596
Probable Risked Reserves	58	544	6	47	399	4	2,270	1,484	1,241	1,056
Total Proven and Probable Risked Reserves	58	15,492	19	47	11,720	13	63,756	46,759	41,624	37,652

Summary of Estimated Reserves of the Corporation (as of October 1, 2000)

	Working Interest Reserves						Present Value of Estimated Future Net Cash Flow, $000 Discounted at Rates of:			
	Gross			Net						
	Oil (Mbbls)	Pipeline Gas (Mmcf)	NGLs (Mbbls)	Oil (Mbbls)	Pipeline Gas (Mmcf)	NGLs (Mbbls)	0%	10%	15%	20%
Escalated Prices and Costs										
Proven Reserves										
Developed Producing	0	12,803	0	0	9,726	0	33,105	25,945	23,775	22,079
Developed Non-Producing	0	160	0	0	129	0	317	249	225	205
Undeveloped	0	1,985	13	0	1,466	9	3,374	2,448	2,114	1,838
Total Proven Reserves	0	14,948	13	0	11,321	9	36,796	28,642	26,114	24,122
Probable Risked Reserves	58	544	6	47	399	4	1,652	1,085	910	778
Total Proven and Probable Risked Reserves	58	15,492	19	47	11,720	13	38,448	29,727	27,024	24,900

Notes:

(1) See "Oil and Gas Reserves" for notes and definitions applicable to tables.

Risk Factors

An investment in securities of the Corporation should be considered speculative due to the nature of the Corporation's involvement in the exploration for, and development of, petroleum and natural gas, its present stage of development and the need for additional financing. Oil and natural gas exploration and development involves a high degree of risk which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The oil and natural gas industry is highly competitive, prone to market fluctuations, subject to government regulation and affected by political and environmental developments, none of which can be accurately predicted. The success of the Corporation depends upon a number of risk factors such as (i) the volatility of oil, natural gas and natural gas product prices; (ii) depletion and recoverability of reserves; (iii) the need for additional financing; (iv) competition; (v) variations in interest rates and scheduled principal repayments applicable to borrowings; (vi) compliance with environmental laws; (vii) purchase of reserves; (viii) changes in legislation; (ix) the nature of oil and gas operations; (x) potential conflicts of interest; (xi) competition with companies having greater resources; and (xii) the operational and production risks involved in exploration and development of petroleum and natural gas. Investors must rely on the ability, expertise, judgment and integrity of management of the Corporation. Since the Corporation's subsidiary, Devlan Wyoming, operates in the United States, fluctuations in the Canadian dollar/United States dollar exchange rates may affect the Corporation's revenue reported on a consolidated basis in Canadian dollars. Some of the Marten Hills properties are candidates for the Government of Alberta's "Special Places 2000" program which may restrict such properties' use and thus materially impair their value to Devlan. An investment in the securities offered herein should be considered only by those investors who are able to make long term investments. Investors should consult their own professional advisors to assess the income tax, legal and other aspects of this investment. There is no assurance that commercial quantities of petroleum or natural gas will be discovered by the Corporation. See "Risk Factors", "Interest of Management and Others" and "Federal Income Tax Considerations".

CORPORATE SUMMARY

General

Devlan is a natural gas and oil company based in Calgary, Alberta, which actively participates in the exploration for and the acquisition, development and production of petroleum and natural gas resources in the Marten Hills, Lethbridge and Mooney areas of Alberta, the Northwest Territories and Wyoming. Both the head office and registered office of Devlan are currently located at 520, 520 - 5th Avenue S.W., Calgary, Alberta, T2P 3R7. The head office of Devlan Wyoming, a wholly-owned subsidiary of Devlan, is also located at 520, 520 - 5th Avenue S.W., Calgary, Alberta, T2P 3R7.

The Corporation was incorporated as 542276 Alberta Inc. on September 18, 1992 and was originally organized as a junior capital pool corporation. The corporate name was changed on January 15, 1993 to Athol Petroleums Inc. and on March 8, 1993, to Oban Petroleums Inc. Oban Petroleums Inc. was originally listed on the ASE on April 14, 1993, and completed its first principal transaction with the acquisition of the Taber Southeast properties following shareholders' approval which was obtained on July 21, 1993. This transaction constituted the Corporation's major transaction pursuant to the junior capital pool provisions of the ASE and the Alberta Securities Commission.

Business History

On November 27, 1995, Bredal Energy Corp. purchased the petroleum and natural gas assets of the Keho Lake and Coaldale properties from Encal Energy Ltd. for $450,000 cash consideration. On January 17, 1996, Oban Petroleums Inc. purchased these assets from Bredal Energy Corp. for $450,000 cash consideration. Both transactions were effective November 1, 1995. See "Description of Principal Properties", "Promoters", "Directors and Officers" and "Interest of Management and Others".

On November 30, 1995, approximately 50.1% of the then outstanding common shares of Oban Petroleums Inc. were acquired by 667349 Alberta Ltd., a corporation which is beneficially controlled by Messrs. Martin Cheyne and Bradley Porter (who are officers and directors of the Corporation), Mark Cheyne, Neil Torry and Tim Mitchell. See "Principal Shareholders", "Promoters", "Directors and Officers" and "Interest of Management and Others."

On January 16, 1996, Oban Petroleums Inc. closed a private placement for 4,410,000 common shares at $0.25 per share for gross proceeds of $1,102,500.

On February 14, 1996, the corporate name was changed to Devlan Exploration Company Ltd., and present management assumed day to day operation of the Corporation.

Since that time, Devlan has acquired key properties in the Marten Hills, Mooney, Keho Lake, Iron Springs, Coaldale and Diamond City areas of Alberta as well as properties in the Pinetree and Highland Ranch areas of Wyoming and has most recently acquired 870,605 gross (435,302 net) acres in the Grandview Hills region of the Northwest Territories. During the third quarter of 2000, management wrote down the carrying amount of Devlan's United States properties by $1,420,156 to $200,666 as a result of ceiling test calculations. See "Management's Discussion and Analysis" and "Description of Principal Properties".

On December 2, 1997, the Corporation changed its year end from March 31 to December 31 as a December 31 year end is the standard reporting period for the majority of the industry.

On September 9, 1998, the Company issued 104,083 (post-consolidation) Common Shares to a Director for petroleum and natural gas rights to properties in Lethbridge. The petroleum and natural gas rights were valued at $156,100.

On September 11, 1998, the board of directors of the Corporation adopted a Shareholder Rights Plan which was subsequently confirmed by Shareholders. See "Description of Share Capital - Shareholder Rights Plan."

Effective November 3, 1998, Devlan Exploration Company Ltd. consolidated its then outstanding common shares on the basis of one Common Share for each four previously outstanding common shares and changed its name from Devlan Exploration Company Ltd. to Devlan Exploration Inc.

On November 13, 1998, the Corporation entered into a Sale/Processing Agreement in the Lethbridge area. See "Description of Business".

On December 31, 1998, the Corporation closed a private placement of 450,000 Common Shares issued as "flow-through shares" under the Tax Act at $1.00 per flow-through share for gross proceeds of $450,000. Proceeds were used to incur Canadian exploration and Canadian development expenses under the Tax Act.

Also, on December 31, 1998, the Corporation closed a private placement for 136,334 units, each unit consisting of one Common Share and three Common Shares issued as "flow-through shares" under the Tax Act. Each unit was priced at $3.80 for gross proceeds of $518,069. Proceeds were used for general corporate purposes and to incur Canadian exploration and Canadian development expenses under the Tax Act.

On March 29, 1999, Devlan closed a transaction, effective December 1, 1998, with an industry partner to purchase additional working interests in its Keho field for $65,910, which working interests included the balance of the additional interest in the 04-11-17-22W4 facility of 17.5% and 27 Mcfd of production.

On May 11, 1999, in conjunction with the April 13, 1999 sale of the two compression facilities and related gathering facilities at the Marten Hills property (See "Description of Business"), the Corporation completed a private placement for 500,000 warrants to purchase Common Shares. Each warrant is exercisable on or before May 10, 2003 into one Common Share. The exercise price is $0.98 per Common Share if the warrants are exercised on or before May 10, 2001 and the exercise price will increase by $0.10 per Common Share each year thereafter.

On July 21, 1999, Devlan completed a private placement to a director and to an officer of the Corporation for approximate gross proceeds of $70,000. This private placement was for 97,222 units, with each unit consisting of one Common Share (at a price of $0.72 per Common Share) and two warrants to purchase Common Shares. Each such warrant was originally exercisable at $1.00 into one Common Share on or before July 21, 2000. CDNX subsequently endorsed an extension and a repricing of the warrants such that each warrant is now exercisable into one Common Share at a price of $1.25 on or before July 21, 2001, $1.39 from July 22, 2001 to July 21, 2002, $1.53 from July 22, 2002 to July 21, 2003 and $1.69 from July 22, 2003 to July 21, 2004.

On August 26, 1999, Devlan completed a private placement of 279,400 flow through Common Shares at $1.00 per Common Share. The proceeds of this offering were used for further exploration and development activity in Marten Hills and Lethbridge.

On November 22, 1999, Devlan completed a private placement of 1,475,000 Common Shares issued as "flow through shares" under the Tax Act at $1.00 per flow-through share for gross proceeds of $1,475,000. The proceeds were used to incur Canadian exploration expenses and Canadian development expenses under the Tax Act.

On December 29, 1999, Devlan completed a private placement of 2,500,000 Common Shares issued as "flow through shares" under the Tax Act at $1.00 per flow-through share for gross proceeds of $2,500,000. The proceeds were used to incur Canadian exploration expenses and Canadian development expenses under the Tax Act.

On February 16, 2000, Devlan received CDNX approval to purchase up to 493,276 Common Shares under a normal course issuer bid representing 5% of the outstanding Common Shares at February 16, 2000. See " Normal Course Issuer Bid".

On April 3, 2000, Devlan closed a transaction, effective April 30, 1998 with an industry partner to purchase 100% of an adjacent property in the Coaldale field for $25,000 and 50,000 Common Shares.

Devlan and Bredal are presently negotiating the documentation relating to the Debenture which will be due September 20, 2002. See "Interest of Management and Others".

On September 21, 2000, Devlan closed a transaction, effective August 25, 2000, with an industry partner to purchase 100% of a property consisting of 870,605 acres in the Grandview Hills area of the Northwest Territories for $400,000 and 300,000 Common Shares at $1.35 per share.

On September 22, 2000, Devlan entered into an agreement, effective September 11, 2000, with 903407 Alberta Ltd., a wholly owned subsidiary of Genesis Exploration Ltd., to sell 50% of the Grandview Hills property in the Northwest Territories for $426,483. See "Recent Developments - Northwest Territories".

On October 31, 2000, the Corporation closed the private placement of the Flow-Through Special Warrants at a price of $1.67 per Flow-Through Special Warrant. See "Use of Proceeds", "Plan of Distribution" and "Details of the Offering".

On December 21, 2000, Devlan closed a private placement of 1,000,000 Common Shares issued as "flow-through shares" under the Tax Act at a price of $1.90 per share for aggregate gross proceeds of $1,900,000. The proceeds will be used to incur CEE under the Tax Act.

On December 22, 2000, the Corporation closed a private placement of 708,338 Common Shares issued as "flow-through shares" under the Tax Act at a price of $1.68 per share for aggregate gross proceeds of $1,190,008. The proceeds will be used to incur CEE under the Tax Act.

During the year ended December 31, 2000, the Corporation drilled, or participated in drilling, 7 gross (7 net) wells resulting in 4 gross (4 net) gas wells and 1 gross (1 net) oil well.

DESCRIPTION OF BUSINESS

In October, 1998, the Corporation purchased mineral rights to 3,189 acres of net undeveloped land in the Diamond City area, near Lethbridge, Alberta for an aggregate cash consideration of $76,350. At the same time, the Corporation also acquired a shut-in well at 8-2-10-21 W4M for $125,000. During the first nine months of 2000 this well produced an average of 139 Mcfd. Devlan then drilled three Bow Island wells, of which the first well (drilled in October, 1998) averaged 118 Mcfd during the nine months ending September 30, 2000, the second was dry and abandoned and the third well, drilled in April, 1999, yielded an average of 57 Mcfd net for the nine months ending September 30, 2000. See "Description of Principal Properties - Alberta Properties - Diamond City".

On November 13, 1998, Devlan sold two compression facilities and related gathering facilities to Canada West Corporate Finance Inc. ("Canada West") for cash consideration of $1.2 million. These facilities are located in the Keho Lake and Coaldale areas. In conjunction with this sale, the Corporation entered into an agreement with an arm's length third party and Canada West. The agreement requires Devlan to pay $21,538 per month for a period of 60 months (5 years) with the first payment having been made on November 13, 1998. Devlan remains as operator of the compressors and facilities and has an option to repurchase the assets at either the end of year three (for a purchase price equal to the fair market value of the assets as determined at that time) or at the end of year five for $300,000. Average throughput for the nine months ended September 30, 2000 at the Keho Lake plant and the Coaldale plant was 800 Mcfd and 650 Mcfd respectively. As at November 28, 2000, Keho Lake was running at 20% capacity and Coaldale was running at 22% capacity. As throughput increases, the payments remain static and any third party revenues accrue to Devlan. The agreement does not contain any rights of termination. See "Material Contracts".

On December 30, 1998, Devlan acquired, effective, 1998, the Marten Hills property in north central Alberta for cash consideration of $5.175 million, ($5,215,479 after adjustments). A combination of debt, equity and internally generated cash flow was used to finance the acquisition. See "Material Contracts" and "Interest of Management and Others".

The Marten Hills property is made up of various interests in 52,240 gross (51,373 net) acres of land, centered on Twp. 74-75, Range 03-04 W5M. Devlan's interest is 40,800 gross (40,679 net) acres undeveloped and 11,440 gross (10,963 net) developed acres. Gas production from this field averaged 4,815 gross (4,557 net) Mcfd during the nine months ended September 30, 2000.

Production is obtained from the Cretaceous section at depths ranging from 400 to 1,000 meters. Producing Formations include the Viking, Colony, Sparky, Clearwater and Wabiskaw.

On April 13, 1999, Devlan sold the two compression facilities and related gathering facilities located in the Marten Hills area and 500,000 warrants (which were issued on May 11, 1999 following receipt of regulatory approval) to purchase Common Shares to Enercap Corporation ("Enercap") for cash consideration of $3.0 million. See "Corporate Summary". In conjunction with this sale, the Corporation entered into an agreement with Enercap. The agreement requires Devlan to pay $870,000 in 1999, $911,000 in 2000, $737,000 in 2001, $571,000 in 2002 and $149,000 in 2003, the final year of the term of the agreement. The first payment was made on April 30, 1999 with monthly payments being made thereafter. Devlan remains as operator of the compressors and facilities and has an option to repurchase the assets at the end of year four for $450,000. As at November 28, 2000, the Marten Hills facilities were processing 7,643 Mcfd (64% capacity). As throughput increases, the payment remains static and any third party revenues accrue to Devlan. The agreement does not contain any rights of termination.

Marten Hills contains existing infrastructure that includes two facilities located at 02-28-74-04 W5M and 04-31-74-03 W5M. See "Risk Factors". In December 1999 the 04-31-74-03 W5M skid mounted dehydration tower and compressor were moved to 02-28-74-04 W5M and placed in series to elevate the throughput. A lease compression unit was installed at 04-31-74-03 W5M. The two 730 horsepower compressors have an aggregate capacity of 12.0 Mmcfd. The 325 horsepower compressor at 4-31-74-03 W5M has a capacity of 6.0 Mmcfd. The property also contains 26.6 miles of gathering pipeline dissecting the lands and 11.1 miles of sales line that ties into the NovaGas transmission system.

A portion of the natural gas production is contracted to TransCanada Gas Services with firm transportation service in place until November 1, 2001, at a price determined by TransCanada Gas Services' netback.

The Corporation's working and overriding royalty interest share of the remaining recoverable reserves, before deduction of any royalties, was 10,679 gross (7,913 net) Mmcf (as assigned by Sproule in the Sproule Report) based upon volumetrics using assigned drainage areas and the net pay at the wellbore, by decline curve analysis, or by performance prediction.

Three exploratory wells were drilled at Marten Hills in July 2000. All three wells were cased as natural gas wells and were on production during September 2000 at a combined rate of 4,984 Mcfd. Four exploratory wells were drilled at Marten Hills in December 2000. Two of the wells were completed and are currently being tested, one as a natural gas well and the other as a heavy oil well.

RECENT DEVELOPMENTS

Mooney

Devlan acquired the Mooney property in November 1999 through a farm-in with a major industry partner. Devlan earned 30% in the well at 6-18-72-7W5M, a shut-in oil well that had been drill stem tested in the Keg River sand at a rate of 8 Mmcfd, but never produced. Devlan's cost to test the Keg River zone was $86,185. The well had a stabilized flow test of 7 Mmcfd of gas with associated condensate. In June, 2000, Devlan entered into a joint venture agreement with the operator of this well and was able to obtain a 30% working interest in a total of 7,360 gross (2,208 net) acres of land, a 30% interest in another Keg River sand gas well (6-8-73-7W5M) for cash consideration of $180,000. A refrigeration facility and 36.15 kilometre pipeline were completed in 2000 and both wells were put on production on December 18, 2000.

Northwest Territories

Pursuant to a Royalty Agreement dated September 11, 2000, Devlan acquired a 100% working interest in 870,605 acres over three exploration licenses in the Grandview Hills area of the Northwest Territories. Devlan paid a cash consideration of $400,000 and 300,000 common shares at $1.35 per share to obtain these lands. See "Material Contracts". Pursuant to a Letter of Understanding dated September 21, 2000, Devlan then sold, for $426,483, a 50% working interest in the three exploration licences to 903407 Alberta Ltd., a wholly owned subsidiary of Genesis

Exploration Ltd., to jointly develop the lands. 903407 Alberta Ltd. paid a cash consideration to Devlan of $426,483 to earn its 50% in the lands.

The Grandview Hills region is a multi-zone prospect area that has both oil and gas potential. Drilling has been virtually non-existent in this area since the 1960's. Seismic was shot after the 1960 wells were drilled and the old seismic shows numerous large, undrilled structures. The Northwest Territories consists of three exploration licences covering 870,605 gross (435,303 net) acres of exploratory lands. The Corporation has purchased 1,338 kilometres of existing seismic and will be shooting new seismic to define exploratory drilling locations. See "Use of Proceeds". On January 28, 2001, Devlan spudded the first of three exploratory wells in the Grandview Hills area.

Cadotte

At the Crown land sale on September 20, 2000, Devlan acquired 2 sections of land (1,280 gross and 1,280 net acres) in the Cadotte area of northern Alberta for $41,082. These lands have shallow gas potential in the Bluesky formation and there is a seismically defined Leduc reef which could be oil-bearing. Devlan has purchased and reprocessed existing 2-D seismic to further define a drilling location.

West Central Alberta

An independent United States based oil and gas exploration company has a licence agreement to view a large inventory of 3-D seismic data in the United States and Canada and may acquire complete data volumes from the 3-D seismic surveys at significant discounts over an extended period of time. The agreement between the United States company and Devlan grants Devlan the exclusive right to review and evaluate the 3-D seismic data available to the United States company. The Canadian data is generally concentrated in the W5 area of Alberta. The United States exploration company's agreement with the owner of the seismic data permits Devlan, as consultant, to view every third mile of seismic in areas of Devlan's choice. Once Devlan defines a prospect area, it is then permitted to view the entire data set. If Devlan feels that it has defined a drillable prospect, it may then buy the relevant seismic data. This opportunity is advantageous to Devlan in that it is able to view substantial seismic data at no charge and only purchase the relevant data. Once Devlan has purchased the data, it must pay the United States company a fee of $U.S. 25,000, and the United States company is either carried for 12.5% to casing point on any well drilled by Devlan or is assigned an overriding royalty interest equal to 5% in each oil, gas and mineral lease acquired by Devlan. See "Material Contracts".

DESCRIPTION OF PRINCIPAL PROPERTIES

The following is a description of Devlan's principal properties.

Alberta Properties

Marten Hills

On December 30, 1998, Devlan acquired the Marten Hills property in north central Alberta for four producing natural gas wells, compression and gathering facilities and 47,680 gross (46,976 net) acres of undeveloped land for cash consideration of $5.175 million ($5,215,479 after adjustments). A combination of debt, equity and internally generated cash flow was used to finance the acquisition. Marten Hills is a shallow, multi-zone, gas prone area. See "Description of Business", "Material Contracts" and "Interest of Management and Others".

The Marten Hills property is located northeast of Slave Lake, Alberta and consists of various interests in 52,240 gross (51,372 net) acres of land, centred on Twp. 74-75, Range 03-04 W5M. Devlan's interest is approximately 40,800 gross (40,679 net) acres undeveloped and 11,440 gross (10,963 net) developed acres. Gas production from this field averaged 7,643 gross (7,461 net) Mcfd during the month of September, 2000 and 4,815 gross (4,557 net) Mcfd during the nine months ended September 30, 2000. Production is obtained from the Cretaceous section at depths ranging from 400 to 1,000 metres. Producing Formations include the Viking, Colony, Sparky, Clearwater and Wabiskaw. Devlan operates this property.

The Sproule Report estimates the Corporation's total Proven Developed Reserves for the Marten Hills property to be 9,297 gross (6,920 net) Mmcf based on volumetrics using assigned drainage areas and the net pay at the wellbore, by decline curve analysis, or by performance prediction. See "Oil and Gas Reserves".

Three exploratory wells were drilled at Marten Hills in July 2000. All three wells were cased for natural gas production and were on production during September 2000 at a combined rate of 4,984 Mcfd.

Pursuant to agreements dated October 8, 1999 and October 28, 1999, Devlan purchased the working interests of two industry partners in Marten Hills. The acquisition added a combined 1,982 net acres and 635 net Mcfd for an aggregate of $630,000. See "Material Contracts" and "Description of Business".

Keho Lake

Devlan owns 2,728 gross (2,276 net) developed acres and 5,119 gross (4,959 net) undeveloped acres in the Keho Lake area. Keho Lake is located at the north end of a long-life shallow gas field in Southern Alberta. This field produces from the Bow Island zone at 1,000 metres. During 1998, Devlan continued to expand its infrastructure and land positions in this area. Gas production from this field averaged 226 gross (201 net) Mcfd during the nine months ended September 30, 2000. Production is connected by a gathering system to a compression facility and is transported by pipeline to market. Area production is from the Bow Island formations and is characterized by dry, sweet natural gas production. This property is operated by Devlan. See "Description of Principal Properties – Alberta Properties - Iron Springs".

On November 13, 1998, Devlan sold, but continues to operate, compression facilities in the Keho Lake area. See "Description of Business", "Interest of Management and Others" and "Material Contracts".

Iron Springs

Effective April 1, 1998, Devlan purchased the Iron Springs property for cash consideration of $900,101. The property consisted of 5,499 gross (3,706 net) developed acres with 876 Mcfd of production and 426 gross (266 net) undeveloped acres. Historical production has been from the Bow Island Formation. Gas production from this field averaged 574 Mcfd (gross/net) during the nine months ended September 30, 2000. This property is operated by Devlan.

The Sproule Report estimates total Proven Developed Reserves of 901 gross (701 net) Mmcf as at October 1, 2000 in Keho Lake and Iron Springs combined. Both fields are tied into a Devlan operated compression facility at 04-11-11-22W4. As at November 28, 2000, this plant was processing 800 gross (775 net) Mcfd of dry, sweet natural gas (20% capacity). See "Description of Business".

Coaldale

Coaldale is located to the south of Lethbridge and, like Keho Lake, produces from a long life shallow gas field. It also produces from the Bow Island zone at 1,000 metres. Devlan owns 8,287 gross (8,287 net) developed acres in the Coaldale area. Production from this field averaged 646 Mcfd net during the nine months ended September 30, 2000. This property is operated by Devlan.

The Sproule Report estimates total Proven Developed Reserves of 1,938 gross (1,557 net) Mmcf as at October 1, 2000.

Devlan operates a 3 Mmcfd compression facility at 4-15-8-20W4M. As at November 28, 2000, the plant was processing 650 Mcfd of dry, sweet natural gas (22% capacity). See "Description of Business" and "Interest of Management and Others".

Diamond City

In October, 1998, the Corporation purchased mineral rights to 3,189 acres of net undeveloped land in the Diamond City area, near Lethbridge, Alberta for an aggregate cash consideration of $76,350. At the same time, the Corporation also acquired a shut-in well at 8-2-10-21 W4M for $125,000. Diamond City is Devlan's exploratory property in the Lethbridge area. Production is from the Bow Island zone at depths of 1000m. Production from three existing wells yielded 314 gross (314 net) Mcfd for the nine months ending September 30, 2000. Devlan has completed a 28 kilometre seismic program over its undeveloped land in order to define two Bow Island drilling locations. The Corporation has 4,072 gross (4,072 net) acres of land in Diamond City.

The Sproule Report estimates total Proven Developed Reserves of 409 gross (327 net) Mmcf on October 1, 2000 in Diamond City.

Devlan also operates a leased 2 Mmcfd plant at 8-2-10-21 W4. As at November 28, 2000, the plant was processing 179 Mcfd of dry, sweet natural gas and was operating at 9% of capacity.

Mooney

Mooney is located southwest of Lesser Slave Lake in northern Alberta. The Sproule Report estimates proven reserves of 720 gross (522 net) Mmcf from the Keg River sandstone. Devlan's developed acres encompass 1,920 gross (576 net) acres and an aggregate of 5,440 gross (1,632 net) undeveloped acres.

Minor Properties

Cadotte

Devlan has assembled 1,280 gross (1,280 net) acres of undeveloped oil and gas exploration acreage in the Cadotte area of northern Alberta. Depending upon seismic results, it is the Corporation's intention to develop these properties, and its properties in west central Alberta, on an ongoing basis.

Pinetree, Wyoming

In 1997, Devlan bought 1,080 gross (1,080 net) undeveloped acres in the Pinetree area. In early 1998, the Corporation purchased a further 2,855 gross (2,855 net) undeveloped acres bringing total acreage to 3,935 gross (3,935 net) undeveloped acres. See "Interest of Management and Others". The properties in the Pinetree area were acquired for an aggregate cash consideration of $US137,434. The target play is the Frontier Zone at 3,600 metres. Two well locations have been identified as re-entry candidates. Re-evaluation with modern technology indicates by-passed pay zones in both well bores that were drilled in 1985.

The Sproule Report estimates total Probable Reserves of 49 gross (39 net) MSTB on October 1, 2000 in Pinetree.

Highland Ranch, Wyoming

Between April, 1997 and December, 1997 the Corporation acquired 7,855 gross (7,855 net) undeveloped acres in the Highland Ranch area for aggregate cash consideration of approximately $US154,000. See "Interest of Management and Others".

On September 23, 1997, the Corporation spudded a test well targeting the Dakota formation at 4,300 metres. The well identified four different pay zones: the Sussex, the Frontier, the Mowry and the Dakota. The main target, the Dakota zone, has 6 metres of gross sand and 1 metre of reservoir quality sand. Devlan is presently negotiating a farm-out agreement with an unrelated industry partner to re-enter and sidetrack the well into a more favourable location for Dakota oil. In December, 1997, Devlan completed a fracture treatment to the uphole Frontier Formation which resulted in 20 BOPD (production tested). The well is currently produced intermittently.

The Sproule Report estimates total Probable Reserves of 9 gross (7 net) Bcf on October 1, 2000 in Highland Ranch.

Marketing

Devlan has the following natural gas marketing arrangements in place:

- 2,500 GJd @ $7.07/GJ (approximately $6.85 at plant gate) from November 2000 – March 2001
- 1,500 GJd @ $5.98/GJ (approximately $5.76 at plant gate) from December 2000 – March 2001
- approximately 2,700 GJd to TransCanada Gas Services netback pool. 2,000 GJd is contracted with TransCanada to October 2003, the balance is contracted for the life of the reserves
- the balance of Devlan's sales gas is sold at the Alberta Index Price

Capital Expenditures

The following table summarizes the capital expenditures made by Devlan on property acquisition, exploration and development wells and well equipment and tangibles for the periods indicated:

	Nine Months Ended September 30 (unaudited)		Years Ended December 31 (audited)		Nine Months Ended December 31, 1997(4)
	2000	**1999**	**1999**	**1998**	**(audited)**
Petroleum and Natural Gas Properties	1,053,747	627,066	111,426	5,328,495(2)	0
Exploration and Development	3,033,895	2,382,478	2,894,247	1,708,172	300,041
Pipeline		0	53,241	356,209	337,427
Well Equipment	850,209	2,102,842(1)	3,820,722(1)	1,608,232(1)	16,004
Subtotal	**4,937,851**	**5,112,386**	**6,879,636**	**9,001,108**	**653,472**
Administrative Assets	19,807	22,429	32,579	9,599	0
Divestitures		0		(460,0000)(3)	
Total	**4,957,658**	**5,134,815**	**6,912,215**	**8,550,707**	**653,472**

Notes:

(1) Includes deferred revenue from the sale and leaseback of compressor facilities at Marten Hills of $1,706,250 in 1999 and the sale and leaseback of compressor facilities at Keho/Coaldale in 1998 of $228,089. See "Description of Business" and "Material Contracts".

(2) Includes acquisition expenditures for Iron Springs ($900,101), the Keho/Coaldale interests acquired from Bowhart Holdings Ltd. ($124,900), (See "Interest of Management and Others" and "Material Contracts"); Keho interests from an industry partner for $65,910 (see "Description of Business"), Diamond City ($201,350) and Marten Hills ($5,175,000).

(3) Consists of the divestitures, effective March 1, 1998, of the natural gas rights from below base Paddy Cadotte to base Halfway in Section 6, TWP 77, Rge 5, W6M and the 14-6-77-5 W6M well which were sold for $250,000. This was a portion of a minor interest in the Rycroft area. Also consists of the divestiture, effective May 14, 1998, of the coal rights from the surface to 3,000 feet which were sold for $210,000 in the Pinetree prospect of Wyoming. Devlan maintains its interest in the target zones below 3,000 feet.

(4) On December 2, 1997, the Corporation changed its financial year end from March 31 to December 31.

Oil And Natural Gas Wells

The following table summarizes, as at September 30, 2000, the number of oil and natural gas wells of Devlan that are producing or are capable of production:

	Producing Oil Wells		Shut-In Oil Wells		Producing Gas Wells		Shut-In Gas Wells	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Alberta								
Coaldale	0.00	0.00	0.00	0.00	11.00	11.00	1.00	1.00
Keho Lake	0.00	0.00	0.00	0.00	4.00	3.30	1.00	1.00
Iron Springs	0.00	0.00	0.00	0.00	3.00	3.00	1.00	1.00
Diamond City	0.00	0.00	0.00	0.00	3.00	3.00	0.00	0.00
Marten Hills	0.00	0.00	0.00	0.00	12.00	11.73	3.00	3.00
Rycroft	0.00	0.00	2.00	0.75	0.00	0.00	0.00	0.00
Oyen	0.00	0.00	0.00	0.00	0.00	0.00	2.00	2.00
Mooney	0.00	0.00	0.00	0.00	0.00	0.00	2.00	0.60
Wyoming								
Highland Ranch	0.00	0.00	1.00	0.50	0.00	0.00	0.00	0.00
Pinetree	0.00	0.00	1.00	1.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	4.00	2.25	33.00	32.03	10.00	8.60

Production and Drilling History

The following table summarizes Devlan's working interest share of production, before royalties, of oil and natural gas for the periods indicated:

	Nine Months Ended September 30		Years Ended December 31		Nine Months Ended December 31, 1997
	2000	1999	1999	1998	
Total					
Crude Oil (Bbls)	0	0	0	0	0
NGL (Bbls)	0	0	0	0	0
Natural Gas (Mcf)	1,723,720	1,580,511	2,027,575	644,378	368,801
Per Day					
Crude Oil (Bbls)	0	0	0	0	0
NGL (Bbls)	0	0	0	0	0
Natural Gas (Mcf)	6,291	5,768	5,555	1,765	1,341

During the periods indicated, Devlan drilled the following wells:

	Nine Months Ended September 30				Year Ended December 31				Nine Months Ended December 31	
	2000		1999		1999		1998		1997	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Producing Wells - Oil	0	0	0.0	0.0	0	0	0.0	0.0	1.0	0.5 [(1)]
Producing Wells - Natural Gas	3.0	3.0	1.0	1.0	1.0	1.0	1.0	1.0	0.0	0.0
Shut-In	0	0	4.0	4.0	4.0	4.0	0.0	0.0	0.0	0.0
Dry Holes	0	0	0.0	0.0	2.0	1.5	1.0	1.0	0.0	0.0
Total Wells	3.0	3.0	5.0	5.0	7.0	6.5	2.0	2.0	1.0	0.5

Notes:
(1) See "Interest of Management and Others".

Undeveloped Lands

The following table sets out Devlan's holdings of undeveloped lands, which have an estimated net aggregate value of $6,454,274. See "Description of Business".

Location	Gross Acres [1]	Net Acres[2]	Estimated Value($)
Alberta[4]			
Bow Island	640	640	1,760
Cadotte	1,280	1,280	38,400
Diamond City	1,852	1,852	264,878
Drumheller	640	640	33,280
40 Mile Coulee	1,920	1,920	37,488
Iron Springs	751	751	47,737
Keho	5,133	4,973	725,861
Marten Hills	40,800	40,679	2,094,377
Mooney	5,440	1,632	83,021
Wyoming[4]			
Pinetree	3,935	3,935	128,378
Highland Ranch	3,899	3,899	62,095
Northwest Territories[3]	870,605	435,302	2,936,999
Total	**936,895**	**497,503**	**6,454,274**

Notes:

(1) "Gross Acres" represents the total number of acres in which Devlan has an interest.

(2) "Net Acres" refers to the total number of Gross Acres in which Devlan has an interest multiplied by the percentage working interest of Devlan therein.

(3) The Seaton-Jordan Report effective October 31, 2000 estimated the value of Devlan's undeveloped Northwest Territories acreage (435,303 net acres) to be $6.75 per acre on average.

(4) The Seaton-Jordan report effective October 31, 2000 estimated the value of Devlan's undeveloped Alberta acreage (54,367 net acres) to be $56.91 per acre on average and estimated the value of Devlan's undeveloped Wyoming acreage (7,834 net acres) to be $24.31 per acre on average.

Copies of the Sproule Report and the Seaton-Jordan Report may be inspected at the Corporation's principal office in Calgary, 520, 520 - 5th Avenue S.W., Calgary, Alberta, T2P 3R7 and at the offices of the Alberta Securities Commission during normal business hours while the primary distribution of the securities offered by this prospectus is in progress and for a period of 30 days thereafter.

OIL AND GAS RESERVES

The Sproule Report evaluates the Proven Reserves and Probable Reserves of natural gas, NGLs and oil associated with the principal properties of Devlan as of October 1, 2000. Detailed evaluations were performed on Devlan's core properties which make up about 100% of Devlan's developed property value.

The extent and character of ownership and all other factual data relating to the properties were supplied by or obtained from the files of Devlan, various oil and gas agencies, the non-confidential files of Sproule and various published records. Sproule did not perform a field inspection on the properties in its preparation of the Sproule Report, since the relevant engineering data was made available by Devlan and Sproule was of the view that no additional information regarding the reserves evaluation would have been obtained by an on-site visit. No investigation was made into either the legal titles held or any operating agreements relating to the properties. There are uncertainties inherent in the interpretation of the engineering data and accordingly the conclusions of the Sproule Report only represent Sproule's best informed professional judgment.

The following is a summary of the natural gas, NGLs and oil reserves of Devlan on a consolidated basis and the discounted net present value of future revenues therefrom, not including ARTC, as estimated in the Sproule Report. **All future cash flows are stated prior to provision for income taxes, indirect costs and future site restoration costs and after deduction of royalties and estimated future capital expenditures. It should not be assumed that the present worth of estimated future cash flows shown below is representative of the fair market value of the reserves. There is no assurance that such price and cost assumptions will be attained and variances could be material. The recovery and reserve estimates of Devlan's natural gas, NGLs and oil reserves provided in this prospectus are estimates only and there is no guarantee that the estimated reserves will be recovered. Actual reserves may be greater than or less than the estimates provided in this prospectus. A risk factor of 50% was applied by Sproule to all of Devlan's probable reserves to reflect the degree of risk associated with recovering such reserves.** Other assumptions and qualifications relating to costs, prices for future production and other matters are summarized in the notes to the following table. The percentages of proved producing reserves currently on production are: 95.1% (gas) and 0% (NGLs and oil).

Summary of Estimated Reserves of the Corporation (as of October 1, 2000)

	Working Interest Reserves						Present Value of Estimated Future Net Cash Flow, $000 Discounted at Rates of:			
	Gross			Net						
	Oil (Mbbls)	Gas (MMcf)	NGLs (Mbbls)	Oil (Mbbls)	Gas (MMcf)	NGLs (Mbbls)	0%	10%	15%	20%
Constant Prices and Costs										
Proven Reserves										
Developed Producing	0	12,803	0	0	9,726	0	53,836	39,641	35,464	32,260
Developed Non-Producing	0	160	0	0	129	0	628	465	410	366
Undeveloped	0	1,985	13	0	1,466	9	7,022	5,168	4,509	3,970
Total Proven Reserves	0	14,948	13	0	11,321	9	61,486	45,274	40,383	36,596
Probable Risked Reserves	58	544	6	47	399	4	2,270	1,484	1,241	1,056
Total Proven and Probable Risked Reserves	58	15,492	19	47	11,720	13	63,756	46,759	41,624	37,652

	Working Interest Reserves						Present Value of Estimated Future Net Cash Flow, $000 Discounted at Rates of:			
	Gross			Net						
	Oil (Mbbls)	Gas (MMcf)	NGLs (Mbbls)	Oil (Mbbls)	Gas (MMcf)	NGLs (Mbbls)	0%	10%	15%	20%
Escalated Prices and Costs										
Proven Reserves										
Developed Producing	0	12,803	0	0	9,726	0	33,105	25,945	23,775	22,079
Developed Non-Producing	0	160	0	0	129	0	317	249	225	205
Undeveloped	0	1,958	13	0	1,466	9	3,374	2,448	2,114	1,838
Total Proven Reserves	0	14,948	13	0	11,321	9	36,796	28,642	26,114	24,122
Probable Risked Reserves	58	544	6	47	399	4	1,652	1,085	910	778
Total Proven and Probable Risked Reserves	58	15,492	19	47	11,720	13	38,448	29,727	27,024	24,900

Notes:

(1) Numbers may not add due to rounding.

(2) The purpose of the above table is to demonstrate the "time" value of income to be received in the future. The figures are not intended, nor should they be considered, as an indication of fair market value of the reserves.

(3) All economics are in Canadian currency unless otherwise stated.

(4) All values have been calculated before deduction of income tax.

(5) "**Proven Reserves**" are defined as those quantities of crude oil, natural gas and natural gas by-products, which, upon analysis of geologic and engineering data, appear with reasonable certainty to be recoverable at commercial rates in the future from known oil and gas reservoirs under presently anticipated economic and operating conditions. The Proven Reserves were sub-divided into the following classifications, depending on their status of development.

(a) "**Proven Developed Reserves**" These are Proven Reserves which can be expected to be recovered through existing wells with existing equipment and operating methods. This classification was further divided to include:

(i) "**Proven Developed Producing Reserves**" are Proven Reserves which are presently being produced from completion intervals open for production in existing wells;

(ii) "**Proven Developed Non-Producing Reserves**" are Proven Reserves which are currently not being produced but do exist associated with completed intervals but not producing in existing wells, behind casing in existing wells or at minor depths below the present bottom of existing wells. These Proven Reserves are expected to be produced through the existing wells in the predictable future. These reserves are classified as proven developed since the cost of making such reserves available for production is relatively small, compared to the cost of a new well.

(b) **"Proven Undeveloped Reserves"** are Proven Reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where relatively major expenditures are required for the completion of these wells or for the installation of processing and gathering facilities prior to the production of these reserves. Reserves on undrilled acreage are limited to those drilling units offsetting productive wells that are reasonably certain of production when drilled.

(6) "**Probable Reserves**" are considered to be those reserves which may be recoverable as a result of the beneficial effects which may be derived from the future institution of some form of pressure maintenance or other secondary recovery methods, or as a result of a more favourable performance of the existing recovery mechanism than that which would be deemed proven at the present time, or those reserves which may reasonably be assumed to exist because of geophysical or geological indications and drilling done in regions which contain Proven Reserves. **Probable Reserve values for the petroleum and natural gas properties and the future net cashflow from Probable Reserves have been discounted by a factor of 50% to account for the risk associated with the probability of obtaining production from such reserves.**

(7) "**Pipeline Gas Reserves**" are gas reserves remaining after deducting surface losses due to process shrinkage and natural gas used as lease fuel.
(8) "**Gross Reserves**" are defined as the total remaining recoverable reserves associated with the acreage of interest.
(9) "**Company Interest Gross Reserves**" are defined as the remaining reserves owned by Devlan, before deduction of any royalties.
(10) "**Company Interest Net Reserves**" are defined as the gross remaining reserves of the properties in which Devlan has an interest, less all royalties and interest owned by others.
(11) "**Net Production Revenue**" is income derived from the sale of net reserves of oil, pipeline gas and gas by-products, less all capital and operating costs.
(12) Product prices used in all years under the constant cost and price scenario were based on the following prices: Natural Gas - $6.31 per Mcf (being a blended price); Crude Oil (WTI Cushing/Edmonton Par Price) - $47.53 per Bbl; NGL's - $36.14 per Bbl.
(13) The Sproule Report estimates the total capital costs necessary to achieve the cash flow would be $1,492.5m in 2000 and $173m in 2001 in the escalated price case and $1,492.5m in 2000 and $170m in 2001 in the constant price case. Actual costs incurred by Devlan to achieve the cash flow were $446m to October 1, 2000.
(14) The Sproule reserve categories of Proven Developed Non-Producing and Proven Undeveloped, as defined above, can be combined into a National Policy 2B reserve category of Proved Non-Producing Reserves.
(15) The correlation between National Policy 2B definitions and those used by Sproule in the evaluation of the Corporation's reserves can be summarized as follows:

National Policy No. 2B	**Sproule Associates Limited**
PROVED	PROVEN
Proved Producing	Proven Developed Producing
Proved Non-Producing	Proven Developed Non-Producing Proven Undeveloped
PROBABLE ADDITIONAL	PROBABLE

(16) The ARTC has not been included. Sproule separately estimated ARTC in the constant scenario in the amounts of $1.629m ((0%), $1.436m (10%), $1.357m, (15%) and $1.288m (20%) and in the escalated scenario in the amounts of $1.629m (0%), $1.366m (10%), $1.265m (15%) and $1.181m (20%).
(17) Abandonment and reclamation costs have not been included in the Sproule Report.
(19) Natural gas reserves are reported at a base pressure of 14.65 pounds per square inch and a base temperature of 60°F.
(20) Prices for Edmonton are reported at a base pressure of 14.65 pounds per square inch and a base temperature of 60°F.
(21) An escalation rate of 1.5% was assumed after 2011 in the Sproule Report.
(22) The estimated future cash flow of the present value of the proven developed producing reserves in both the escalated and constant scenarios includes processing income arising from Marten Hills in the amounts of $250,000 (0%), $180,000 (10%), $158,000 (15%) and $142,000 (20%).

The following table represents the schedule of product prices, inflation and exchange rates utilized in the Sproule Report in the escalated case:

Summary of Price Forecasts, Inflation and Exchange Rates
Effective October 1, 2000

		Light Crude Oil		Heavy and Medium Oil			Western Canadian Natural Gas and Liquids at Plant Gate					
		Prices in Canadian Dollars										
Year	**WTI Cushing Oklahoma $US/Bbl[1]**	**Edmonton Par Price 40 API $/Bbl[1]**	**Alberta Royalty Par Price $/Bbl**	**Hardisty Heavy 12 API $/Bbl**	**Cromer Medium 29.3 API $/Bbl**	**Hardisty Medium 25.7 API $/Bbl**	**Alberta Index $/MMBTU**	**Edmonton Propane $/Bbl**	**Edmonton Butane $/Bbl**	**Edmonton Pentanes Plus $/Bb/**	**Inflation Rate %/YR**	**Exchange Rate $US/$Cdn**
2000 3 mos	33.12	47.53	45.53	34.84	44.78	42.53	6.40	31.32	36.14	50.45	0.3	0.680
2001	29.10	41.04	39.01	31.10	37.64	35.79	5.44	24.34	27.53	43.94	1.5	0.690
2002	23.05	31.82	29.76	22.89	28.07	26.82	3.92	17.82	20.16	33.47	1.5	0.700
2003	20.91	28.35	26.26	19.87	24.43	23.37	3.42	15.88	16.91	29.30	1.5	0.710
2004	21.23	28.37	26.25	19.88	24.44	23.38	3.48	15.89	16.92	29.06	1.5	0.720
2005	21.55	28.39	26.24	19.89	24.45	23.39	3.51	15.90	16.93	29.08	1.5	0.730
2006	21.87	28.82	26.64	20.30	24.86	23.80	3.60	16.15	17.19	29.52	1.5	0.730
2007	22.20	29.26	27.04	20.71	25.28	24.22	3.65	16.39	17.45	29.97	1.5	0.730
2008	22.53	29.71	27.45	21.14	25.70	24.64	3.71	16.64	17.71	30.42	1.5	0.730
2009	22.87	30.16	27.87	21.56	26.13	25.07	3.76	16.89	17.98	30.89	1.5	0.730
2010	23.21	30.62	28.29	22.00	26.57	25.51	3.82	17.15	18.26	31.50	1.5	0.730
2011	23.56	31.08	28.72	22.44	27.01	25.95	3.87	17.41	18.53	31.83	1.5	0.730

Escalation Rate of 1.5% thereafter.

Notes:
(1) 40 degrees API, 0.4% sulphur.
(2) Undeveloped gas must have a minimum $0.15 per MMBtu deduction.

The following table represents the schedule of natural gas price forecasts for various shippers utilized in the Sproule Report in the escalated case:

Natural Gas Price Forecasts – Various Shippers
($Cdn/MMBTU)
Effective October 1, 2000

Year	Alberta Gas Reference Price Plantgate(1)	Alberta 30 day Spot AECO	Alberta 30 day Spot Plantgate	Aggregator Plantgate	Sask. 30 day Spot Plantgate(1)	B.C. 30 day Spot Plantgate(1)	B.C. Average Wellhead	Huntingdon/ Sumas 30 d Spot	Henry Hub Price $US/MMBTU
2000 3 mos	6.32	6.57	6.40	6.30	6.47	6.35	5.95	6.85	5.17
2001	5.36	5.61	5.44	5.36	5.51	5.44	5.04	5.95	4.46
2002	3.85	4.10	3.92	3.85	3.99	4.08	3.66	4.49	3.47
2003	3.37	3.60	3.42	3.36	3.50	3.53	3.11	3.95	3.14
2004	3.44	3.66	3.48	3.44	3.55	3.52	3.10	3.94	3.18
2005	3.49	3.69	3.51	3.49	3.59	3.51	3.08	3.94	3.23
2006	3.60	3.78	3.60	3.60	3.67	3.56	3.13	4.00	3.28
2007	3.65	3.84	3.65	3.65	3.73	3.62	3.17	4.06	3.33
2008	3.71	3.90	3.71	3.71	3.78	3.67	3.22	4.12	3.38
2009	3.76	3.96	3.76	3.76	3.84	3.73	3.27	4.18	3.43
2010	3.82	4.01	3.82	3.82	3.90	3.78	3.32	4.25	3.48
2011	3.87	4.08	3.87	3.87	3.96	3.84	3.37	4.31	3.53

Escalation Rate of 1.5% thereafter

Note:

(1) Provincial Price Index, undeveloped gas must have a minimum $0.15 per MMBtu deduction.

USE OF PROCEEDS

The Corporation will not receive any cash proceeds upon the exercise of the Flow-Through Special Warrants. The gross proceeds received by the Corporation from the sale of the Flow-Through Special Warrants, were $2,984,992.

Gross proceeds raised under the blanket order of the Alberta Securities Commission dated February 11, 1999 in the amount of $100,200 are being held by Montreal Trust and those funds held in trust immediately following the Time of Expiry will be released to the Corporation on the issuance of a receipt for a (final) prospectus by the Alberta Securities Commission. The Agents' commission of $149,249 and expenses of the offering, estimated at $85,000, has been paid from the Corporation's general corporate funds. See "Plan of Distribution".

The aggregate gross proceeds of the issue will be used to incur CEE, which will be renounced to subscribers pursuant to the Subscription Agreements. The gross proceeds will be used by the Corporation substantially as follows:

Grandview Hills, NWT:	
Drill and case of exploratory wells (Devlan's 50%)	$2,724,500
15 km of seismic (Devlan's 50%)	260,492
TOTAL	$2,984,992

The Corporation plans to drill one well on each exploratory licence in the Grandview Hills area of the Northwest Territories targeting oil prone targets and, in the process, continue the lands for another four years. See "Recent Developments – Northwest Territories".

Although it is the Corporation's current intention to apply the gross proceeds of the offering in the manner described above, management regularly reviews its budget with respect to the success of its operations and with respect to other opportunities which may become available from time to time. In the event that management determines that expenditures as originally planned are unwarranted, the remaining proceeds of the offering (if any) will be used in other areas of operations in furtherance of the Corporation's business objectives.

CAPITALIZATION

The Corporation is authorized to issue an unlimited number of Common Shares. As at September 30, 2000 there were 10,090,527 Common Shares outstanding and 11,776,765 Common Shares were outstanding as at January 15, 2001. The Corporation is also authorized to issue an unlimited number of Preferred Shares, none of which are issued or outstanding. See "Description of Share Capital". The following is a summary of the Corporation's capitalization as at September 30, 2000, as adjusted, to give effect to the exercise of the Flow-Through Special Warrants:

Description	Authorized	Outstanding as at September 30, 2000	Outstanding as at September 30, 2000 after giving effect to the exercise of the Flow-Through Special Warrants
Common Shares (1),(2),(4) Unlimited	Unlimited	$7,794,358 (10,090,527 shares)	$9,236,665(8) (11,877,947 shares)(3)
Preferred Shares	Unlimited	Nil	Nil
Warrants	N/A	$200,000 (694,444 warrants)(5)	$200,000 (694,444 warrants)
Long-term debt and obligations under capital leases(6)	-	$7,301,993	$7,301,993

Notes:

(1) The Common Shares were consolidated on a 4:1 basis effective November 3, 1998. See "Corporate Summary".

(2) As at September 30, 2000, there were 2,371,685 Common Shares reserved for issuance upon the exercise of outstanding options, warrants and the Debenture. See "Stock Options" and "Interest of Management and Others".

(3) Before deducting expenses of the offering including the Agents' commission of $149,249, which are being paid out of the Corporation's general corporate funds and estimated expenses of $85,000.

(4) Included in Common Shares outstanding at September 30, 2000 are 300,000 Common Shares, which were used as partial consideration for the acquisition of a petroleum and natural gas property. Title to the property passed before September 30, 2000, however the share certificate was in the process of being finalized and delivered to the vendor of the property as of that date.

(5) On May 11, 1999 the company issued 500,000 warrants to purchase common shares before May 10, 2003 at an exercise price of $0.88 if exercised before May 10, 2000. The exercise price will increase by $0.10 per common share each year thereafter until expiry. These warrants were ascribed a value of $200,000 ($0.40 per warrant) as part of the consideration for entering into a capital lease arrangement. On July 21, 1999, the Corporation issued 194,444 warrants to purchase common shares at an exercise price of $1.00 by July 21, 2000. The exercise period for these warrants was extended to July 21, 2004. See "Corporate Summary - Business History". These warrants were assigned no specific value.

(6) Debt includes both current and long term portions of each debt instrument. The respective amounts and related security are as follows:

a. The Corporation has available a demand, revolving loan in the amount of $1,000,000. At September 30, 2000 no amounts were outstanding on this facility. This facility bears interest at the bank's Canadian Dollar Prime Lending rate plus 1% and the availability is reduced by $90,000 per month commencing January 1, 2003. Reductions may be reinstated on request upon submission of satisfactory reserve reports. The security for this facility consists of: a fixed and floating charge debenture of $10,000,000, a demand promissory note for the amount of the facilities and a general security agreement over all property of the Corporation.

b. Demand non-revolving loan with a balance remaining at September 30, 2000 of $3,380,000. This facility bears interest at the bank's Canadian Dollar Prime Lending rate plus 1% and the principal amount outstanding is reduced by $120,000 per month. Interest is payable monthly in arrears. The security for this facility consists of: a fixed and floating charge debenture of $10,000,000, a demand promissory note for the amount of the facilities and a general security agreement over all property of the Corporation.

c. At September 30, 2000 the Corporation was indebted to a related party, Bredal Energy Corp. in the amount of $48,150. These advances bear interest at the rate of Canadian Western Bank prime lending rate plus 2.5%.

d. On September 21, 2000, the Corporation received $1,000,000 from Bredal, a company in which certain officers and directors of the Corporation are shareholders. It is the intention of management that the advance will be converted to a $1,000,000 subordinated convertible, redeemable debenture due September 21, 2002, will bear interest at the rate of Canadian Western bank prime rate plus 1% and the conversion price of the Debenture will be $1.35 per share for every $1.00 of debenture, which translates into a potential issuance of 740,741 Common Shares.

e. On November 13, 1998, the Corporation entered into a capital lease with Canada West Corporate Finance Inc. See "Description of Business". This lease was the subject of a sale and lease back transaction for a term of five years. The principal amount of the sale and lease back was $1,200,000. Payments under the lease ($21,538 per month) are secured by the compression facilities to which the lease relates. The Corporation has an option to purchase the facilities at the termination of the lease in the amount of $300,000. The amount outstanding at September 30, 2000 under this lease was $889,588.

f. On April 13, 1999, the Corporation entered into a capital lease with Enercap Corporation. See "Description of Business". This lease was the subject of a sale and lease back transaction for a term of four years. The principal amount of the sale and lease back was $3,000,000. Payments under the lease are secured by the compression facilities to which the lease relates. Payments per month are a fixed principal amount ($52,083 at September 30, 2000) that declines on each anniversary of the agreement, plus interest. The

Corporation has an option to purchase the facilities at the termination of the lease in the amount of $450,000. The amount outstanding at September 30, 2000 under this lease was $1,807,500.

g. On February 2, 1999, the Corporation entered into a capital lease with Collicutt Hanover Compression Company Ltd. for a compressor. The lease was for a term of twelve months and there was an option to purchase the unit for $167,500. As at September 30, 2000, the option has not been exercised and the $167,500 remains outstanding. Payments during the initial twelve-month term were $5,400 per month and this term has now expired. The lease is now a month-to-month operating lease with the same monthly payments. This lease is secured by the compressor.

h. On December 31, 1998, the Corporation entered into a capital lease with H.L. Mellor for a Choke Unit. Monthly payments of $3,351.25 are required for a term of 24 months. At the expiration of the lease term, the unit becomes the property of the Corporation at no additional cost. As at September 30, 2000 there was $9,255 remaining to be paid under the lease. The lease is secured by the unit.

(7) As at September 30, 2000, the deficit of the Corporation was $1,515,066.

(8) This amount includes a reduction to share capital in the amount of $1,331,903. This reduction represents the estimated income tax benefits foregone as a result of the renunciation of CEE to the subscribers of the offering.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following is a summary of the variations in the Corporation's operating results for the periods indicated:

Nine Months Ended September 30, 2000 (Unaudited) Compared to Nine Months Ended September 30, 1999 (Unaudited)

Revenue

Production revenue

Production revenue increased by 93% from $3,301,473 in the nine month period ending September 30, 1999 to $6,364,999 in the same nine month period in 2000. This increase is attributable to a 91% increase in plant gate natural gas prices from $2.08 per Mcf in 1999 to $3.98 per Mcf in 2000. Also, there was a 9% increase in production volumes over 1999 levels.

Royalties

Royalties (net of ARTC) in 2000 were $1,220,661 while they were $705,472 in the nine-month period ending September 30, 1999. This 73% increase is due to production volumes rising significantly during 2000.

Expenses

Operating

Operating expenses were $1,120,280 in 2000 while they were $916,768 in 1999. As a percentage of production revenues they were 18% for the nine months ended September 30, 2000 as compared to 28% for the nine months ended September 30, 1999. The significant increase in revenue was the major factor attributable to this reduction.

General and Administrative

General and administrative expenses were $526,881 for the nine months ended September 30, 2000 and $398,172 for the same period in 1999. The increase of 32% was mainly attributable to the Corporation’s additional staff and leased premises as well as the increased utilization of consultants for potential corporate and asset acquisitions and divestitures.

Interest expense

Interest expense for the nine months ended September 30, 2000 decreased 12% to $488,288 from $552,781 for the nine months ended September 30, 1999. The decrease is attributable to lower, average debt outstanding resulting from repayments of bank debt and capital leases.

Depletion, depreciation and amortization

Depletion, depreciation and amortization expense increased from $299,100 in 1999 to $3,156,385 in the nine month period in 2000. This represents a 955% increase and was attributable to increased production volumes and a write down of Devlan's Wyoming property. Also, the depletion, depreciation and amortization amount was adjusted significantly at the end of 1999 to reflect a revised depletion formula which was done in the fourth quarter of 1999. In the third quarter of 2000, the Corporation wrote down the carrying amount of Devlan’s development costs in Wyoming by $1,420,156 to $200,666. There was no write down or depletion charges on the Wyoming property in the same period in 1999. Management is still committed to the United States property and continues to seek out partners to assist in the development of these lands. However, the "Ceiling Test" calculation indicated that carrying the development costs of this property at the originally booked amounts was not justified.

Income Taxes

Future income tax expense has risen to $95,920 in the nine month period in 2000 from nil in the same period in 1999. The increase is the result of the Corporation’s adoption of the new CICA Handbook recommendations, which became effective January 1, 2000. Under this method, the Corporation measures the tax effect of the difference between the carrying amounts of its assets and liabilities against their underlying tax values. The difference is accounted for on the income statement.

Net Earnings

Net earnings declined 81% in 2000 to $156,436 versus $818,591 in the same period in 1999. The decline is mainly attributable to the write down of the United States property in the third quarter of 2000 in the amount of $1,420,156.

Cash Flow from Operations

Cash flow increased from $863,670 in the nine month period ended September 30, 1999 to $3,054,606 for the same period in 2000. This increase of 254% was attributable to the increase in plant gate prices for natural gas as well as increased production volumes. Cash flow per basic weighted average Common Share increased to $0.31 in 2000 versus $0.15 per share realized in the first nine months of 1999.

Assets

Accounts receivable

Accounts receivable increased from $1,103,778 at September 30, 1999 to $1,905,019 at September 30, 2000. The increase of 73% was attributable to significantly higher revenues in the latter nine-month period.

Prepaid expenses and deposits

Prepaid expenses and deposits rose 86% from $190,825 in 1999 to $354,972 in 2000. Prepaid expenses mainly relate to lease rentals and governmental fees paid in advance. These amounts have risen as result of increased exploration and development work by the Corporation. Also, the Corporation had to increase its Crown royalty deposit as a result of increased production in the nine months ended in 2000.

Liabilities

Accounts payable

Accounts payable were $2,267,222 at September 30, 1999 as compared to $3,573,192 at September 30, 2000. This represents a 58% increase. The increase was mainly attributable to costs associated with the three wells drilled during the summer of 2000 as well as preliminary costs for Devlan’s Northwest Territories project.

Bank Debt

Bank debt increased from $2,220,000 in the nine months ended September 30, 1999 to $3,380,000 in the same period in 2000. The increase of 52% was attributable to the additional funds advanced by Devlan's bank to assist, in part, with the repayment of our related party debt. Another portion of the new term debt was used to fund a combination of capital expenditures as well as working capital.

Capital lease obligations

Capital lease obligations declined 26% during 2000 as the result of repayments pursuant to the original terms of the leases. The aggregate amount of capital leases outstanding at September 30, 2000 was $2,873,843 as compared to $3,866,956 at September 30, 1999.

Advance from a related party

Advances from Bredal Energy Corp. decreased 97% at September 30, 2000 to $48,150 as compared to $1,451,768 at September 30, 1999. Devlan repaid $1,250,000 of the indebtedness on May 12, 2000 with proceeds received from a new term loan.

Debenture

On September 21, 2000 the Corporation received $1,000,000 from a related party, a company of which certain officers and directors of the Corporation are shareholders. It is the intention of management that the advance will be converted to a $1,000,000 subordinated convertible, redeemable debenture due September 21, 2002, will bear interest at the rate of Canadian Western bank prime rate plus 1% and the conversion price of the debenture will be $1.35 per share for every $1.00 of debenture, which translates into a potential issuance of 740,741 common shares.

Deferred Revenue

Deferred revenue (net of related costs) at the end of September 1999 was $899,678. This amount was 41% lower than the end of September 1999 which was $1,517,080. The amounts booked are being amortized on a straight line basis over the term of the respective lease agreements.

Future Income Taxes

The Corporation adopted the new CICA Handbook provision contained in Section 3465 effective January 1, 2000. The most significant impact of this change for the Corporation has been that Devlan now records the effect of renouncing expenses under the "Flow Through Share" legislation to the future income tax liability rather than reducing its exploration and development expenditures carried in the books. As a result, the future income tax liability increased to $1,476,640 in 2000 from nil in the first nine months of 1999.

Capital Expenditures

Capital expenditures in the September 30, 2000 nine month period were $4,957,658 ($6,032,728 gross capital expenditures net of flow through shares, tax benefits and accounts payable) compared to $5,134,815 (gross of flow through tax benefits, accounts payable and deferred revenue) in the nine month September 30, 1999 period. This represents a 3% decrease in 2000. Capital expenditures in 2000 are predominantly the result of three new wells drilled in the summer, tieing in the wells to a sales pipeline as well as preliminary costs for our exploration program in the Northwest Territories. The 2000 expenditures are gross of the flow through share tax adjustment required under the new CICA Handbook recommendations in the amount of $1,094,877 (1999 - Nil).

Twelve Months Ended December 31, 1999 Compared to Twelve Months Ended December 31, 1998

Revenues

Production revenues

Revenues in 1999 increased 280% to $4,939,655 over 1998 levels of $1,298,917. This was not only the result of increased production, but also the consistent strengthening of natural gas prices throughout the year. Average plant gate gas prices increased 16% from $2.09 in 1998 to $2.43 in 1999.

Royalties

Royalty expense, net of ARTC was $886,979 in 1999 compared to $122,823 in 1998. This represents a 622% increase and is the direct result of increased production levels on properties to which crown royalties apply. Net royalties as a percentage of revenue increased to 18% in 1999 from 10% in 1998.

Expenses

Operating

Operating expenses in aggregate increased 151% from $469,145 in 1998 to $1,176,335 during 1999, due to Devlan's increased production activity. However, as a percentage of revenues, operating expenses declined 33% from 36% in 1998 to 24% in 1999.

General and Administrative

While general and administrative costs increased 118% from 1998 to $647,508 in 1999, the costs as a percentage of production revenues decreased by 43% to 13% in 1999 from 23% in 1998. Aggregate costs increased as a result of adding new staff as well as increased corporate activity. Capitalized general and administrative costs were $149,899 in 1999, an increase of 50% over the 1998 amount of $99,912.

Interest

Debt levels increased slightly by 3% from $7,445,106 in 1998 to $7,646,383 in 1999. Debt includes bank debt, related party debt and capital lease arrangements. Correspondingly, interest expense increased 398% from $150,645 in 1998 to $750,433 in 1999. Devlan began 1999 with significant debt levels due to the financing of the Marten Hills acquisition, which occurred in December 1998. The Corporation entered into a $3 million sale-leaseback in April 1999 and made significant repayments of debt throughout the year to leave us with only a slightly higher debt level at the end of the year compared to 1998.

Depletion, depreciation and amortization

Depletion, depreciation and depreciation increased 445% to $2,175,731 in 1999 from $399,109 in 1998. Significant increases in production volumes, and a comprehensive re-evaluation of the depletion methodology were the major causes of the depletion increase.

Net Loss

The Company realized a loss of $381,037 in 1999 as compared to a loss of $139,696 in 1998. This represents a 173% increase. The Corporation attributes the loss mainly to the large depletion charge taken at the end of 1999. The basic weighted average loss per Common Share was $0.06 in 1999 as compared to $0.03 in 1998.

Cash Flow From Operations

Cash flow from operations in 1999 increased 470% to $1,478,400 from $259,413 in 1998. As mentioned above, cash flow increased significantly as the result of increases in production, strengthening gas prices and the Corporation's efficient cost controls. As a result, the basic weighted average cash flow per Common Share was $0.25 in 1999. This represents an increase of 317% from $0.06 per share in 1998.

Assets

Accounts receivable

Accounts receivable increased 301% in 1999 over 1998 levels from $246,720 to $989,830. The increase is largely due to rising production revenues, which are paid in the month following delivery of the gas.

Prepaid expenses and deposits

Prepaid expenses and deposits rose 82% from $115,866 in 1998 to $210,902 in 1999. Prepaid expenses consist primarily of lease rentals and governmental usage fees paid in advance.

Liabilities

Accounts payable and accrued liabilities

Accounts payable and accrued liabilities increased 320% in 1999 from 1998. Mainly the result of increased drilling and exploratory work, the payables rose from $594,428 in 1998 to $2,495,587 at the end of 1999.

Bank debt

Total bank debt decreased 34% in 1999 from 1998 levels. The Corporation had $4,260,000 in bank debt outstanding in 1998 compared to $2,820,000 in 1999. A portion of the bank debt was replaced by capital leases during 1999.

Capital lease obligations

Capital leases, which the Corporation considers to be financing leases, rose 204% during 1999. At the end of 1999, the Corporation had $3,576,180 in capital leases outstanding as compared to $1,175,106 in 1998.

Advances from related parties

Related party debt is attributable solely to Bredal. During 1999, the Corporation reduced the amount outstanding by 38% from $2,010,000 in 1998 to $1,250,203 at the end of 1999. $2,010,000 was advanced from Bredal at the end of 1998 to assist the Corporation in acquiring its Marten Hills property. The advances bear interest at Canadian Western Bank prime plus 2.5% and are secured by a floating charge over the assets of the Corporation subordinate to the Bank's security.

Deferred Revenue

Deferred revenue at the end of 1999 was $1,159,971, which was 409% higher than the end of 1998 at $228,089. Deferred revenue relates to two sale and leaseback arrangements entered into with respect to certain compression facilities in 1998 and 1999. The difference between the sale proceeds and the net book value of the compressors was recorded as deferred revenue. Deferred revenue is amortized over the terms of the respective leases.

Capital Expenditures

During 1999, the Company incurred $6,912,215 in capital expenditures as compared to $9,010,707 in 1998. This represents a 23% decrease in 1999. Both the 1999 and 1998 amounts are gross of reductions for the tax benefits renounced to purchasers of "Flow Through Shares" (1999 - $782,813 and 1998 - $446,000). The expenditures in both years also include gains on the sale and leaseback of Devlan's compressor facilities (1999 - $1,706,250 and 1998 - $228,089). There was $460,000 in proceeds realized from divestitures in 1998 (none in 1999).

DESCRIPTION OF SHARE CAPITAL

Common Shares

Devlan is authorized to issue an unlimited number of Common Shares. As of January 15, 2001 11,776,765 Common Shares were issued and outstanding. See "Capitalization" and "Normal Course Issuer Bid".

Holders of Common Shares are entitled to receive notice of and attend all meetings of Shareholders. The Common Shares carry one vote per Common Share. Subject to the prior rights of holders of Preferred Shares, holders of Common Shares are entitled to dividends, if, as and when declared by the board of directors of the Corporation, and, in the event of the liquidation, dissolution or winding up of the Corporation or other distribution of its assets, to receive on a pro rata basis all of the remaining property of the Corporation.

Preferred Shares

Devlan is also authorized to issue an unlimited number of Preferred Shares, issuable in series, each series consisting of a number of Preferred Shares as determined by the board of directors of the Corporation who may also fix the designation, rights, privileges, restrictions and conditions attaching to each series of Preferred Shares. No series of Preferred Shares have yet been designated and there are currently no Preferred Shares issued or outstanding.

The Preferred Shares of each series will, with respect to payment of dividends and distributions of assets in the event of liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the Corporation's assets, rank on a parity with the Preferred Shares of every other series and shall be entitled to preference over the Common Shares.

Shareholder Rights Plan

On September 11, 1998, the board of directors of the Corporation approved a Rights Plan which was approved by Shareholders at the annual general and special meeting of the Corporation held on October 16, 1998. For the purposes of this section, any capitalized terms not otherwise defined in this prospectus, have the meanings ascribed to them in the Rights Plan. Pursuant to the Rights Plan, one Right was issued and attached to each outstanding Common Share. One Right will also attach to any subsequently issued Common Shares, including Common Shares issuable pursuant to the offering and the Common Shares issuable upon exercise of the Warrants. The purpose of the Corporation's Rights Plan is to provide adequate time for Shareholders to properly assess the merits of a take-over bid without undue pressure and to allow competing bids to emerge. The Rights Plan is designed to give the board of directors time to consider alternatives to allow Shareholders to receive full and fair value for their Common Shares. **The following is a summary of the material provisions of the Rights Plan and is qualified by the specific terms and conditions of the Rights Plan itself**. See "Material Contracts".

In certain circumstances, the Rights will separate from the Common Shares to which they are attached and will become exercisable.

By permitting holders of Rights, other than an Acquiring Person, to acquire, in certain circumstances, Common Shares at a discount to market value, the Rights may cause substantial dilution to a person or group that acquires 20% or more of the voting securities of Devlan other than by way of a Permitted Bid or a Competing Permitted Bid or other than in circumstances where the Rights are redeemed or the board of directors waives the application of the Rights Plan.

To qualify as a Permitted Bid, a take-over bid must generally be made for all Common Shares and must be open for 45 days after the bid is made. If at least 50% of the Common Shares held by persons independent of the bidder are deposited or tendered pursuant to the bid and not withdrawn, the bidder may take up and pay for such Common Shares. The bid must generally then remain open for a further period of 10 clear business days on the same terms.

The issue of the Rights is not initially dilutive. Upon a Flip-in Event occurring and the Rights separating from the attached Common Shares, reported earnings per Common Share on a fully diluted or non-diluted basis may be affected. **Holders of Rights who do not exercise their Rights upon the occurrence of a Flip-in Event may suffer substantial dilution**.

The Rights Plan contains several exclusions which were developed to minimize concerns that the Rights Plan may be inadvertently triggered or triggered as a result of overly-broad aggregating of holdings of institutional shareholders and their clients. For example, generally excluded from the definition of Acquiring Person are underwriters or members of a banking or selling group acting in connection with a distribution of securities to the public, persons who are the beneficial owners of 20% or more of the Common Shares at the applicable record time and persons acting in the capacity of an investment manager, trust company, plan trustee, statutory body or crown agent, provided such person is not proposing to make a Take-over Bid.

The Rights Plan is to remain in force until (i) the annual meeting of the Shareholders in the year 2001 (unless reconfirmed by the Shareholders at the annual meeting in the year 2001 in which case it will remain in force until termination of the annual meeting in the year 2004); and (ii) earlier termination in certain events in accordance with the terms of the Rights Plan.

DIRECTORS AND OFFICERS

The following table provides the names, municipalities of residence, position, principal occupations and the number of voting securities of the Corporation that each of the directors and executive officers beneficially owns, directly or indirectly, or exercises control over, as of the date hereof:

Name and Municipality of Residence and Position with the Corporation	Director/Officer Since	Principal Occupation	Common Shares Beneficially Owned Directly and Indirectly
Mark Algar, P.Eng Vice-President Engineering Calgary, Alberta	September 1, 1999	Vice President, Engineering of Devlan Exploration Inc.; prior thereto, President of MBA Petroleum Consulting Ltd.; prior thereto, Joint Venture Engineer with Bowtex Energy (Canada) Corporation	43,861
Martin J. Cheyne(1) President, Chief Executive Officer and Director Dewinton, Alberta	November 30, 1995	President, Chief Executive Officer and Director of Devlan Exploration Inc.; prior thereto Vice President of Bredal Energy Corp. (a private oil and gas company); prior thereto Vice President Projects and Projects Manager for International Colin Energy Ltd. (a public oil and gas company)	151,745(1)
Gary J. Cochrane, LLB(2) Director Calgary, Alberta	February 1, 1996	Partner with Fraser Milner Casgrain, Barristers and Solicitors, and its predecessors since 1989	97,056
Stephen H. Freedhoff, CA(2) Director Toronto, Ontario	May 10, 2000	Self-employed consultant since July 1999; prior thereto a partner with PricewaterhouseCoopers and its predecessor firms since September 1968	10,000
Gerald N. Gilewicz, CMA Controller Calgary, Alberta	September 27, 1999	Controller of Devlan Exploration Inc.; prior thereto, Senior Tax Manager with Deloitte & Touche LLP; prior thereto, Audit Manager with Revenue Canada	62,199(3)

Name and Municipality of Residence and Position with the Corporation	Director/Officer Since	Principal Occupation	Common Shares Beneficially Owned Directly and Indirectly
William M. Matheson, B.Comm. Chief Financial Officer, Vice President, Corporate Development Calgary, Alberta	August 17, 1998	Chief Financial Officer and Vice President, Corporate Development of Devlan Exploration Inc.; prior thereto, principal of Crossroads Management; prior thereto, Director, Energy Services of Stampeder Energy	131,456
Scott L. Patterson, B.Sc. Vice President Exploration Calgary, Alberta	November 24, 1998	Vice President Exploration of Devlan Exploration Inc.; prior thereto, senior geologist, Pioneer Natural Resources Canada Inc.	28,381
Bradley B. Porter(1) Executive Vice President, Chief Operating Officer, Corporate Secretary and Director Okotoks, Alberta	December 7, 1995	Chief Operating Officer, Executive Vice President, Corporate Secretary and Director of Devlan Exploration Inc. and President of Bredal Energy Corp. (a private oil and gas company) since 1992	151,474(1)
Lyle J. Reinhart(2)(4) Director Vernon, British Columbia	February 1, 1996	Businessman in the oil field service industry	507,169(4)
Rick M. Wlodarczak, CA, CBV(2) Director Vancouver, British Columbia	May 10, 2000	President of Nova Bancorp Group (Canada) Ltd.; prior thereto Chief Financial Officer of Nova Bancorp Group (Canada) Ltd.	Nil

Notes:

(1) Does not include 1,032,412 Common Shares held by 667349 Alberta Ltd. (a private Alberta corporation), 46,125 Common Shares held by 679424 Alberta Ltd. (a private Alberta corporation) or 394,143 Common Shares held by Bredal. See notes to the table under the heading "Principal Shareholders". Does not include options or warrants to purchase Common Shares held by directors and officers. See "Stock Options". Does not include 740,741 Common Shares reserved for issuance upon conversion of the Debenture. See "Interest of Management and Others".

(2) Denotes Audit Committee members. The Corporation does not have an Executive Committee.

(3) Includes 2,000 Common Shares controlled by Mr. Gilewicz.

(4) An aggregate of 507,169 Common Shares are held by Mr. Reinhart, his spouse, and by Bowhart Holdings Ltd., a private Alberta corporation controlled by Mr. Reinhart.

Mark B. Algar, age 41, Vice President Engineering. Mr. Algar joined Devlan in September 1999. He has over 15 years of diversified oil and gas experience in the areas of reservoir engineering, acquisitions and divestitures, property evaluations, joint ventures and exploitation engineering. From 1993, Mr. Algar, as President of MBA Petroleum Consulting Ltd., provided engineering services to numerous oil and gas entities, including Devlan Exploration Inc., Highland Energy Inc., HCO Energy Ltd. and the National Bank of Canada. Mr. Algar graduated from SAIT in 1979 with a Diploma in Petroleum Technology and from Montana Tech in 1982 with a Bachelor of Science Degree in Geological Engineering. Mr. Algar is a registered professional engineer in the Province of Alberta and is a member of the Association of Professional Engineers, Geologists and Geophysicists of Alberta, the Society of Petroleum Engineers of AIME, the Petroleum Society of CIM, the American Association of Petroleum Geologists and the Petroleum Joint Venture Association.

Martin J. Cheyne, age 40, President, Chief Executive Officer and Director. Mr. Cheyne has over 18 years of drilling and completions experience in oil and natural gas operations. Mr. Cheyne has been President and CEO of Devlan since February of 1996. Prior thereto, he was Vice President, Project and Development for Bredal Energy Corp., a private oil and gas company. See "Interest of Management and Others." From 1988 to 1994, Mr. Cheyne worked at International Colin Energy, rising from District Completion Superintendent to Vice President of Projects, where he was responsible for drilling, completions, environmental projects and facilities construction.

Gary J. Cochrane, age 45, Director. Mr. Cochrane is a Director of the Corporation and has held this position since February 1, 1996. Mr. Cochrane is a partner in the law firm Fraser Milner Casgrain, and has been a partner with its predecessor firms since 1989. From 1987 to 1989, Mr. Cochrane was an Associate for Milner & Steer. From 1986 to 1987, Mr. Cochrane was a partner with Parlee McLaws. Mr. Cochrane was admitted to the Law Society of Alberta in 1981. Mr. Cochrane has a Bachelor of Laws Degree (1980) and a Bachelor of Commerce Degree (1977) from Dalhousie University.

Stephen H. Freedhoff, age 65, Director. Mr. Freedhoff, of Toronto, Ontario is a Director of the Corporation and has held this position since May 10, 2000. Mr. Freedhoff is a self-employed consultant since July 1999. From September 1968, Mr. Freedhoff was a Partner with PriceWaterhouseCoopers and its predecessor firms. He graduated from the University of Toronto with a Bachelor of Commerce and is a member of the Ontario Institute of Chartered Accountants and is a Certified Financial Planner since 1999.

Gerald N. Gilewicz, age 40, joined Devlan as Controller in September 1999. From October 1997 to September 1999 he was a Senior Tax Manager with Deloitte & Touche LLP providing tax planning services to resource based, owner manager and high technology clients. Before this, Mr. Gilewicz spent sixteen years with Revenue Canada in various capacities. Ten of those years were spent auditing and managing auditors who conducted reviews of medium and large-scale oil and gas companies. Mr. Gilewicz is a Certified Management Accountant and has a Bachelor of Commerce Degree from the University of Saskatchewan.

William M. Matheson, age 41, Chief Financial Officer and Vice President, Corporate Development. Mr. Matheson joined Devlan in August of 1998. From September 1997, as a Principal of Crossroads Management, he consulted in the areas of risk management, communications and marketing for Ulster Petroleums, K2 Energy, Hartland Pipeline Services and Devlan. In 1994, Mr Matheson co-founded StampGas Inc. (which later became Stampeder Energy), a division of Stampeder Exploration Ltd., where he served as Director, Energy Services and Price Risk Management until 1997. Prior thereto, he was the senior natural gas trader for NatGas Canada Inc. from 1993 to 1994. From 1989 to 1993, Mr. Matheson was Senior Market and Transportation Analyst with Pan-Alberta Gas and served as International Marketing Co-ordinator for Aqua Pura Technologies Inc. from 1988 to 1989. Mr. Matheson has a Bachelor of Commerce Degree (1988) from the University of Calgary.

Scott L. Patterson, age 37, Vice President Exploration. Mr. Patterson is a graduate of the University of Alberta (1986) with a Bachelor of Science Degree. Mr. Patterson has 13 years of varied experience in oil and gas development and exploration. Mr. Patterson has been Vice President of Devlan Exploration Inc. since November 24, 1998. Prior thereto, he held the position of Senior Geologist at Pioneer Natural Resources Canada Inc., Quest Oil and Gas, Upton Resources, Mark Resources and Encor Energy. Mr. Patterson has explored for and developed reserves in the Peace River area of Alberta, South Central Alberta, South East Saskatchewan, North Dakota, Montana and Wyoming.

Bradley B. Porter, age 38, Executive Vice President, Chief Operating Officer, Corporate Secretary and Director. Mr. Porter's 19 years of oil and natural gas experience has been focused on production and operations. He has served in a number of capacities with Devlan since February 1996. From 1992 to present Mr. Porter has been President of Bredal Energy Corp., a private oil and gas company. See "Interest of Management and Others." Prior thereto, he was a Sales Representative with Baker Performance Chemicals Inc. from 1991 to 1992, Area Manger for International Colin Energy in Eaglesham, Alberta from 1990 to 1991 and Senior Field Operator for Ultramar from 1983 to 1990. Mr. Porter has a Diploma in Agriculture from the University of Saskatchewan and a Business Management Certificate.

Lyle J. Reinhart, age 47, Director. Mr. Reinhart is a director of the Corporation and has held this position since February 1, 1996. Mr. Reinhart has a combination of 19 years experience in private business, the oil field service sector and downstream marketing. He is also a director of Real Time Holdings Inc., a private corporation.

Rick M. Wlodarczak, age 46, Director. Mr. Wlodarczak is a Director of the Corporation and has held this position since May 10, 2000. Mr. Richard M. Wlodarczak of Vancouver, British Columbia is President of Nova Bancorp Group, an investment firm, since May 1995. Mr. Wlodarczak graduated from the University of British Columbia with his Bachelor of Commerce and is a member of the Institute of Chartered Accountants of British Columbia and the Canadian Institute of Business Valuators.

As at the date hereof, directors, officers and control persons of Devlan as a group owned or exercised direct or indirect control or direction over an aggregate of 2,939,896 Common Shares, representing 24.96% of the outstanding Common Shares. After giving effect to the exercise of the Flow-Through Special Warrants, the directors and officers of the Corporation, as a group will beneficially own, directly or indirectly, approximately 30.19% of the outstanding Common Shares on a fully diluted basis. See "Principal Shareholders" and "Interest of Management and Others." Directors and officers as a group also hold, directly or indirectly, options and warrants and the Debenture to purchase or acquire an aggregate of an additional 1,871,685 Common Shares. See "Stock Options" and "Interest of Management and Others."

PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of the Corporation, no person beneficially owns or exercises control or direction over Common Shares carrying more than 10% of the votes attached to Common Shares except for the following:

	Prior to the Exercise of the Flow-Through Special Warrants		After Giving Effect to the Exercise of the Flow-Through Special Warrants	
Name	**Number of Common Shares Beneficially Owned Directly or Indirectly**	**Percentage of Common Shares Held**	**Number of Common Shares Beneficially Owned Directly or Indirectly**	**Percentage of Common Shares Held**
667349 Alberta Ltd.(1)	1,032,412	8.77%	1,032,412	7.61%
Nova Bancorp 1999 Oil & Gas Strategic Limited Partnership	1,000,000	8.49%	1,000,000(2)	7.37%

Note:

(1) 667349 Alberta Ltd. is a private Alberta corporation, the shares of which are held by Martin J. Cheyne, Bradley B. Porter, Mark Cheyne, Neil Torry and Tim Mitchell (each as to 20%). 679424 Alberta Ltd. also owns 46,125 Common Shares and is a private Alberta corporation, the shares of which are held by the same shareholders and in the same proportions as 667349 Alberta Ltd. Bredal, a private Alberta corporation, the shares of which are held by the same shareholders and in the same proportions as 667349 Alberta Ltd., owns 394,143 Common Shares. An additional 587,094 Common Shares in aggregate are held individually by Martin J. Cheyne, Bradley B. Porter, Mark Cheyne, Neil Torry and Tim Mitchell. Consequently, 667349 Alberta Ltd. exercises direct or indirect control or direction over, 2,059,774 Common Shares, or 17.49% of the Common Shares prior to giving effect to the exercise of the Flow-Through Special Warrants. After giving effect to the exercise of the Flow-Through Special Warrants, 667349 Alberta Ltd. will exercise control or direction over 15.19% of the Common Shares. See "Directors and Officers", "Interest of Management and Others" and "Material Contracts".

(2) After giving effect to the exercise of the Flow-Through Special Warrants, Nova Bancorp Group (Canada) Ltd., through its holdings in the general partners of Nova Bancorp 1999 Oil & Gas Strategic Limited Partnership, Canada Dominion Resources Limited Partnership II (which subscribed to 299,000 Flow-Through Special Warrants) and Canada Dominion Resources Limited Partnership VI (which, to the knowledge of the Corporation, holds 394,737 Common Shares), will exercise control or direction over 1,693,737 Common Shares, or 12.49% of the Common Shares after giving effect to the exercise of the Flow-Through Special Warrants.

PROMOTERS

Martin Cheyne, Bradley Porter and Lyle Reinhart may be considered to be the promoters of the Corporation in that they took the initiative in reorganizing the Corporation. Messrs. Cheyne, Porter and Reinhart have been granted options in their capacity as directors and officers to acquire 195,000 Common Shares, at a price of $0.82 per Common Share and a further 155,000 Common Shares at a price of $0.84 per Common Share. See "Interest of Management and Others", "Directors and Officers", "Compensation of Directors and Executive Officers", "Principal Shareholders", "Risk Factors" and "Stock Options."

COMPENSATION OF DIRECTORS AND EXECUTIVE OFFICERS

The Corporation presently has six Executive Officers: Martin J. Cheyne, President and Chief Executive Officer; Bradley B. Porter, Executive Vice president, Chief Operating Officer and Corporate Secretary; William M. Matheson, Vice President, Corporate Development and Chief Financial Officer; Scott L. Patterson, Vice President, Exploration; Mark B. Algar, Vice President, Engineering and Gerald N. Gilewicz, Controller. In the last completed financial year of the Corporation, $359,900 was paid to the six Executive Officers and no director's or officer's total salary and bonus exceeded $100,000.

On December 2, 1997, the Corporation changed is financial year-end from March 31, to December 31. The following table provides a summary of compensation earned during the fiscal year ended December 31, 1999, 1998 and 1997, by the President and Chief Executive Officer. Specific aspects of this compensation are dealt with in further details in the following tables.

Compensation of Executive Officers

Name and Principal Position	Financial Year Ended	Annual Compensation			Long-Term Compensation			All Other Compensation ($)
					Awards		Payouts	
		Salary ($)	Bonus ($)	Other Annual Compensation Fees, Commissions, etc.(1) ($)	Securities Under Options Granted (#)	Restricted Share or Restricted Share Units ($)	LTIP Payouts ($)	
Martin J. Cheyne President and CEO (1)	Dec. 31, 1999	87,000	nil	nil	Nil	Nil	nil	Nil
	Dec 31, 1998	60,000	nil	nil	85,000(2)	Nil	nil	Nil
	Dec 31, 1997	30,000	nil	nil	195,000(2)	Nil	nil	Nil

Notes:
(1) Perquisites and other personal benefits do not exceed the lesser of $50,000 or 10% of the total of the annual salary.
(2) At the Annual General and Special Meeting of the Corporation held on October 16, 1998 the ("October AGM"), the shareholders of the Corporation approved a 1:4 share consolidation. Following the 1998 AGM, the Corporation applied to the ASE and received conditional approval to cancel all stock options outstanding prior to the 1998 AGM. The Corporation cancelled these options effective December 3, 1998. Effective December 3, 1998, 85,000 stock options were granted to Mr. Cheyne pursuant to the Corporation's Option Plan.

The Corporation currently does not have, nor has it ever had, any long-term incentive plans.

Stock Option Plan and Outstanding Options

The Corporation has a stock option plan which was approved and adopted by the Shareholders on May 10, 2000. See "Stock Options". No options were granted to the President and Chief Executive Officer during the most recently completed financial year.

The following table summarizes for the President and Chief Executive Officer the number of Common Shares acquired pursuant to exercises of stock options during the financial year ended December 31, 1999, if any, the aggregate value realized upon exercise, if any, and the number of Common Shares covered by unexercised options under the stock option plan as at December 31, 1999. The value realized upon exercise, if any, is the difference between the market value of the Common Shares on the exercise date and the exercise or base price of the option.

1999 Options Exercised			Unexercised Options at December 31, 1999		Value of In-the-Money Options at December 31, 1999 ($)	
Name	Securities Acquired on Exercise (#)	Aggregate Value Realized ($)	Exercisable	Unexercisable	Exercisable	Unexercisable
Martin J. Cheyne	Nil	nil	85,000	Nil	15,301(2)	Nil

Notes:
(1) The value of in-the-money options at financial year end, if any, is the difference between the exercise or base price of the options and the market value of the Common Shares on December 31, 1999, which was $1.00 per Common Share.

Table of Option and SAR Repricings

There was no repricing of options during the financial year ended December 31, 1999.

Composition of the Board of Directors

Martin J. Cheyne and Bradley B. Porter, both directors of the Corporation during all or some portion of 1999, were also the President and Chief Executive Officer and the Executive Vice President and Chief Operating Officer and Corporate Secretary of the Corporation, respectively, for all or some portion of 1999. Roy Barr, Gary J. Cochrane and Lyle Reinhart, directors for all or some portion of 1999, were not officers or employees of the Corporation during any portion of 1999. Roy Barr did not seek re-election at the last Annual General and Special Meeting on June 23, 1999.

Compensation of Directors

The directors of the Corporation received no salaries, fees, commissions, bonuses or other remuneration for their services in their capacity as directors of the Corporation during the last completed financial year of the Corporation. The directors of the Corporation generally receive no compensation as directors other than stock options and reimbursement of out of pocket expenses incurred in connection with carrying out their duties as directors.

Report on Executive Compensation

The Board of Directors' primary function is one of stewardship whereby, in the best interests of Shareholders, they provide policy direction and overall supervision of the business and affairs of the Corporation. The executive officers are responsible for the Corporation's daily activities and the assurance that these mandates are carried out in a diligent manner. The combined effort will ensure a commitment to maintaining the highest level of corporate governance.

The Corporation's compensation for such a commitment is through a stock option plan, designed as a long-term incentive to assist and encourage both the executive officers and directors of the Corporation to successfully work towards corporate growth and development. As a result, the Shareholders will ultimately benefit from the appreciated value of the Corporation.

The Corporation does not have a Compensation Committee.

STOCK OPTIONS

The Corporation had an original stock option plan which was approved and adopted by the shareholders on January 12, 1993. A reconstituted Stock Option Plan was approved by the shareholders on May 12, 2000 (the "New Plan"), with the reservation of 1,598,631 Common Shares for issuance upon the exercise of stock options granted or to be granted to the directors, officers, employees or consultants of the Corporation or its subsidiaries under the New Plan, in addition to options reserved under existing stock option arrangements. Such stock options may be granted by resolutions of the Board of Directors or by a committee of the Board from time to time. The Chief Executive Officer may grant options to newly hired or promoted directors, officers, employees or consultants provided such grants are subsequently reported to the Board.

Unless the Board of Directors determines otherwise, each option will contain the following terms and conditions: (i) an option must be exercised within ten years from the date the option is granted; (ii) subject to any change of control in the Corporation, 20% of the number of Common Shares granted by each option must vest within six months from the date the option is granted and 25% of the remaining number of shares on each of the first through fourth anniversaries of the initial vesting of the option; (iii) the exercise price will be deemed to be the closing price of the Common Shares of the Corporation on CDNX on the day on which the option is granted by the Board of Directors, or if there is no trading on the Common Shares of the Corporation on the CDNX on that day, then a weighted average trading price for the five trading days on the CDNX prior to the date of the grant of the option.

There are no limitations as to the eligibility or the number of directors, officers, employees or consultants to whom options may be granted, or number of shares that may be covered by any option, except that no optionee shall be granted options to acquire more than 5% of the outstanding Common Shares, and except for restrictions applicable to the number of shares issuable to insiders of the Corporation in accordance with the requirements of the stock exchange upon which the Common Shares are listed.

The purchase price of the Common Shares covered by each stock option shall be the market price of such shares on the date on which the stock option is granted. The term of each stock option shall be 10 years from the date of grant. If an optionee should die during their relationship with the Corporation, and during the term of an option, his or her option extends, with respect only to the amount of such option vested during his or her lifetime, until 18 months after his or her death. None of the option rights are transferable except by inheritance. Except as provided in the event of the termination of an optionee's relationship with the Corporation by his or her death, each option may be exercised, as to any of the shares covered thereby, at any time between the date on which the option first becomes exercisable as to such shares and the end of the term of the option.

Optionees are protected in the event there should be any stock split, consolidation, capital reorganization or any other similar recapitalization or reclassification of the Common Shares affecting the proportionate rights of the holders thereof without direct payment for shares. In such case, the number of shares subject to each option, and the price to be paid therefore, are to be adjusted equitably so that the optionee's proportionate interest is maintained without change in the aggregate option price.

Under the *Income Tax Act* (Canada), a director, officer, employee or consultant who has been granted stock options of the Corporation is generally required to include in his or her employment income in the taxation year that the stock options are exercised, a deemed benefit equal to the difference between the market value of the Common Shares on the date that the stock options are so exercised and the amount paid by that director, officer, employee or consultant to exercise those stock options.

Upon the exercise of stock options, and payment by the optionee of the full purchase price in cash, the Corporation will issue authorized but previously unissued treasury shares. The proceeds form the sale of such shares will be used for general corporate purposes. The Board may, but is not obligated to, provide financial assistance to optionees with respect to taxes payable upon the exercise of options, which financial assistance may be on a recourse or non-recourse basis.

The Common Shares reserved pursuant to existing stock options combined together with the additional shares to be reserved pursuant to the New Plan will constitute a maximum aggregate of 2,435,131 Common Shares reserved for exercise of all options, representing approximately 25% of the issued and outstanding Common Shares.

There are currently options outstanding to purchase 936,500 Common Shares at an exercise price of $0.82 per Common Share (as to 340,000 options), $0.84 per Common Share (as to 285,000 options) and $1.00 (as to the remaining 311,500 options). See "Compensation of Directors and Executive Officers - Stock Option Plans and Outstanding Options". The exercise price of $0.82 was calculated based on the weighted average of the Common Shares on the ASE for the 10 trading days ended December 3, 1998. The exercise price of $1.00 on September 1, 1999 was calculated based on the 10 day weighted average of the Common Shares on the CDNX as of September 1, 1999. The exercise price of $0.84 was calculated based on the bid price of $0.84 and the ask price of $0.85 of the Common Shares on the CDNX on January 14, 2000. The exercise price of $1.00 on June 8, 2000 was calculated based on the bid price of $1.00 and the ask price of $1.05 of the Common Shares on the CDNX on June 8, 2000. The following table sets forth options granted by the Corporation which are outstanding:

Name of Optionee	**No. of Options**	**Date of Grant**	**Expiry Date**	**Exercise Price per Common Share**	**Market Value at Date of Grant ($)**	**Market Value as of September 30, 2000**
Martin Cheyne	85,000	December 3, 1998	December 3, 2003	0.82	nil	53,550
Bradley B. Porter	85,000	December 3, 1998	December 3, 2003	0.82	nil	53,550
Lyle Reinhart	25,000	December 3, 1998	December 3, 2003	0.82	nil	15,750
Gary Cochrane	25,000	December 3, 1998	December 3, 2003	0.82	nil	15,750
William Matheson	60,000	December 3, 1998	December 3, 2003	0.82	nil	37,800
Scott Patterson	60,000	December 3, 1998	December 3, 2003	0.82	nil	37,800
Jennifer Evans	11,500	September 1, 1999	September 1, 2004	1.00	nil	5,175
Mark Algar	100,000	September 1, 1999	September 1, 2004	1.00	nil	45,000
Gerald Gilewicz	100,000	September 1, 1999	September 1, 2004	1.00	nil	45,000
Martin Cheyne	65,000	January 14, 2000	January 14, 2005	0.84	nil	39,650
Bradley B. Porter	65,000	January 14, 2000	January 14, 2005	0.84	nil	39.650
Lyle Reinhart	25,000	January 14, 2000	January 14, 2005	0.84	nil	15,250
Gary Cochrane	25,000	January 14, 2000	January 14, 2005	0.84	nil	15,250
William Matheson	65,000	January 14, 2000	January 14, 2005	0.84	nil	39,650
Scott Patterson	40,000	January 14, 2000	January 14, 2005	0.84	nil	24,400
Stephen Freedhoff	50,000	June 8, 2000	June 8, 2005	1.00	nil	22,500
Rick Wlodarczak	50,000	June 8, 2000	June 8, 2005	1.00	nil	22,500
TOTAL	**936,500**					

In addition, Messrs. Matheson and Cochrane hold warrants to acquire an aggregate of 194,444 Common Shares at a price of $1.25 on or before July 21, 2001, $1.39 from July 22, 2001 to July 21, 2002, $1.53 from July 22, 2002 to July 21, 2003 and $1.69 from July 22, 2003 to July 21, 2004.

INDEBTEDNESS OF DIRECTORS, EXECUTIVES AND SENIOR OFFICERS

From the time of incorporation of Devlan to the date hereof, none of the directors or officers have been, nor are they currently, indebted to Devlan.

INTEREST OF MANAGEMENT AND OTHERS

There are no material interests, direct or indirect, of directors, senior officers, key personnel, any shareholder who beneficially owns, directly or indirectly, more than 10% of the outstanding Common Shares, any promoter or any known associate or affiliate of such persons, in any transaction which has materially affected Devlan within the last three years or in any proposed transaction which would materially affect Devlan other than the following (unless otherwise stated, figures are post-consolidation):

1. On October 1, 1997, Upside Capital Inc., a Wyoming corporation owned by Martin Cheyne, Bradley B. Porter (directors and officers of the Corporation), Mark Cheyne, Neil Torry and Tim Mitchell and the Corporation, have participated as joint venture partners (each as to a 50% interest) in a discovery well on a portion of the Corporation's lands located in the Highland Ranch area of Converse County, Wyoming. The joint venture agreement contains standard industry terms. See "Material Contracts".

2. On December 11, 1998, Bredal and the Corporation entered into a short term financial arrangement agreement, as amended, pursuant to which Bredal loaned $517,500 to Devlan for the down payment towards the purchase of the Marten Hills property to be repaid on or before December 22, 1998. Interest is calculated daily from December 11, 1998 in the amount of Canadian Western Bank's prime lending rate plus 2.5% per annum (being an interest rate of 9.25%). The security provided for such financing consists of a demand promissory note in the amount of $517,500 and a floating charge debenture. In the event that the principal amount of the loan and remaining interest had not been repaid by the Corporation prior to the end of the business day on December 22, 1998, Bredal would have the option to assume the rights and obligations of Devlan pursuant to the Marten Hills purchase and sale agreement that the Corporation has entered into and for which the borrowed funds are being used as a down payment. On December 29, 1998, Bredal and the Corporation amended the short term financial arrangement described above. Bredal agreed to lend to the Corporation an additional $1,492,500 to an aggregate of $2,010,000 to complete the Marten Hills acquisition. The interest calculation for the amended agreement remained the same. The security provided for such financing consists of a demand promissory note in the amount of $2,010,000 and a floating charge debenture. In the event that the principal amount of the loan and remaining interest had not been repaid by the Corporation prior to the end of the business day on February 1, 1999, Bredal would have a purchase option on the Marten Hills property, a fee of $20,100 would be due, monthly principle payments in the amount of $50,000 would have to be made as of February 1, 1999 if not fully repaid and a 5% overriding royalty in the name of Bredal or its nominee over the entire Marten Hills property. On February 1, 1999, the Corporation was granted an extension until March 1, 1999. On March 1, 1999, the Corporation was granted an extension until June 30,1999. No payments were made until $700,000 was paid to Bredal on April 9, 1999. On June 29, 1999 Bredal agreed to extend the repayment period until after the Corporation's Board of Directors meeting held on September 19, 1999. On September 23, 1999, Bredal granted a further extension until December 31, 1999. On May 12, 2000 the Corporation repaid $1,250,000 to Bredal. As at December 31, 2000, the entire principal and interest had been repaid to Bredal. See "Description of Business", "Recent Developments", "Directors and Officers", "Principal Shareholders" and "Management's Discussion and Analysis".

3. On September 21, 2000, the Corporation received $1,000,000 from Bredal, a company in which certain officers and directors of the Corporation are shareholders. It is the intention of management that the advance will be converted to a $1,000,000 subordinated convertible, redeemable debenture due September 21, 2002, will bear interest at the rate of Canadian Western bank prime rate plus 1% and the conversion

price of the Debenture will be $1.35 per share for every $1.00 of debenture, which translates into a potential issuance of 740,741 Common Shares.

PRICE RANGE AND TRADING VOLUME OF COMMON SHARES

The currently outstanding Common Shares are listed for trading on CDNX under the symbol "DXI". The Corporation has been designated as a Tier 1 issuer by CDNX. The TSE has conditionally approved the listing of the Common Shares, subject to the Corporation fulfilling all of the requirements of the TSE on or before April 24, 2001. The following table sets forth the high and low prices and trading volumes for the Common Shares for the periods indicated as reported by CDNX and, prior to November 29, 1999, the ASE:

	Price Range ($)		
Period	**High**	**Low**	**Trading Volume(1)**
1999			
First Quarter	1.10	0.44	72,612
Second Quarter	1.45	0.80	122,351
Third Quarter	1.30	0.75	207,923
Fourth Quarter	1.05	0.77	125,325
2000			
First Quarter	1.00	0.62	528,662
April	0.87	0.70	23,333
May	0.95	0.70	80,478
June	1.35	0.90	164,103
July	1.35	1.05	104,900
August	1.34	1.01	60,400
September	2.00	1.10	241,575
October	1.70	1.45	153,675
November	1.80	1.25	116,781
December	2.40	1.40	193,127
2001			
January (1 to 26)	3.00	2.20	180,079

Note:

(1) Figures prior to November 3, 1998 have been adjusted to reflect the 4:1 consolidation of the Common Shares of Devlan Exploration Company Ltd. See "Corporate Summary".

On September 20, 2000, the last day of trading of the Common Shares prior to the day on which the offering of the Flow-Through Special Warrants was announced, the closing price of the Common Shares on CDNX was $1.66. On January 26, 2001, the last day that trading occurred prior to the filing of this prospectus, the closing price of the Common Shares on CDNX was $2.80.

PRIOR SALES

The only Common Shares issued within the 12 months prior to the date hereof are: (1)

Date	**Number of Common Shares Issued**	**Issue Price per Common Share**	**Aggregate Issue Price**	**Type of Transaction**
June 12, 2000	50,000	$1.00	$50,000	Property Acquisition
October 23, 2000	300,000	$1.35	$405,000	Land Acquisition
December 21, 2000	1,000,000(2)	$1.90	$1,900,000	Private Placement
December 22, 2000	708,338(2)	$1.68	$1,190,008	Private Placement

Notes:

(1) Does not include Common Share purchase warrants granted to Enercap Corporation, Options or Warrants to purchase Common Shares granted to directors, officers and employees of the Corporation, the Debenture or the Flow-Through Special Warrants. See "Stock Options" and "Corporate Summary".

(2) These Common Shares were issued as "flow-through shares" under the Tax Act.

NORMAL COURSE ISSUER BID

Effective February 16, 2000, Devlan received CDNX approval to purchase up to 493,276 Common Shares under a normal course issuer bid (the "Issuer Bid"), representing approximately 5% of the total number of issued and outstanding Common Shares as at February 16, 2000. The Issuer Bid expires on the earlier of February 15, 2001, and the purchase of 493,276 Common Shares thereunder. To date, Devlan has purchased an aggregate of 147,100 Common Shares pursuant to the Issuer Bid at an aggregate price of $157,334 (including commissions), which Common Shares were cancelled.

PLAN OF DISTRIBUTION

Pursuant to the Agency Agreement, the Agents agreed to act, and the Corporation appointed the Agents, as sole and exclusive agents of the Corporation to offer the Flow-Through Special Warrants for sale on a private placement basis. On October 31, 2000, the Corporation completed the private placement of 1,787,420 Flow-Through Special Warrants at a price of $1.67 per Flow-Through Special Warrant pursuant to prospectus exemptions under applicable securities legislation. The issue price of $1.67 per Flow-Through Special Warrant was determined by negotiation between the Corporation and the Agents. At the closing of the issue, the Corporation paid aggregate commissions of $149,249.60 ($0.0835 per Flow-Through Special Warrant) to the Agents.

Neither the Flow-Through Special Warrants nor the Common Shares have been, and such securities will not be, registered under the *United States Securities Act of 1933*, as amended (the "Securities Act"), and subject to certain exceptions may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons.

The Corporation has agreed to indemnify the Agents against certain liabilities, including certain liabilities under applicable Canadian securities legislation, and to contribute to payments that the Agents may be required to make in respect thereof.

The Agents will receive no additional fees in connection with the issuance of the Common Shares issuable upon exercise of the Flow-Through Special Warrants.

DETAILS OF THE OFFERING

This prospectus has been filed with the securities commissions in the Filing Provinces to qualify for distribution of 1,787,420 Common Shares issuable on exercise of 1,787,420 outstanding Flow-Through Special Warrants. The TSE has conditionally approved the listing of the Common Shares, subject to the Corporation fulfilling all of the requirements of the TSE on or before April 24, 2001.

The Corporation issued 1,787,420 Flow-Through Special Warrants on October 31, 2000 pursuant to the Flow-Through Special Warrant Indenture. The Flow-Through Special Warrants may be exercised at any time on or before the Time of Expiry by completing an exercise form and surrendering the Warrant Certificate to the Trustee.

Gross proceeds in the amount of $100,200 from the issuance of Flow-Through Special Warrants pursuant to the blanket order (the "Blanket Order") of the Alberta Securities Commission dated February 11, 1999 (the "Deposited Subscription Funds") are being held by Montreal Trust pursuant to the Flow-Through Special Warrant Indenture. These funds are invested in short term debt instruments and will either be used to repurchase the Flow-Through Special Warrants or be released to the Corporation as described below. Those purchasers who purchased Flow-Through Special Warrants pursuant to the Blanket Order, pursuant to the terms thereof, have the right to require the Corporation to return the full amount of consideration paid by such purchaser in the event that the Corporation failed to obtain a preliminary receipt from the Alberta Securities Commission for this prospectus within 30 days of the distribution of the Flow-Through Special Warrants or in the event that the Corporation fails to obtain a final receipt for this prospectus from the Alberta Securities Commission within 120 days of the distribution of the Flow-Through Special Warrants. This right must be exercised by providing a written notice to Montreal Trust at its principal office in Calgary, Alberta and to the Corporation on or before the Time of Expiry. The Deposited Subscription Funds which are not so returned will be released to the Corporation following the issuance of a receipt for a (final) prospectus by the Alberta Securities Commission.

Each Flow-Through Special Warrant entitles the holder thereof to acquire, at no additional cost, one Common Share at any time on or before the earlier of: (i) the date which is five days after the date upon which a receipt for a (final) prospectus has been obtained from the last of Securities Commissions; and (ii) October 31, 2001. Any Flow-Through Special Warrant not exercised prior to the Time of Expiry shall be automatically exercised immediately prior to the Time of Expiry without any further action on the part of the holder. If the Corporation does not obtain such receipts prospectus dated on or before February 28, 2001, being 120 days following closing of the private placement of the Flow-Through Special Warrants, each holder of Flow-Through Special Warrants in a filing Province in which such a receipt has not been obtained will thereafter be entitled upon exercise thereof to receive, subject to adjustment in accordance with the Flow-Through Special Warrant Indenture, 1.1 Common Shares (of which 0.1 of a Common Share will not entitle the holder to any additional flow-through tax benefits) in lieu of the one Common Share that each Flow-Through Special Warrant was previously exercisable into.

DILUTION

The following table sets forth the dilution per Common Share to be incurred by holders of Flow-Through Special Warrants based on the balance sheet of the Corporation as at September 30, 2000 after giving effect to the exercise of the Flow-Through Special Warrants. This table does not include potential dilution resulting from the exercise of presently outstanding stock options or warrants or conversion of the Debenture. See "Stock Options" and "Interest of Management and Others".

	Per Common Share	
Issue price per Flow-Through Special Warrant		1.67
Net tangible book value as at September 30, 2000 before giving effect to this offering	0.632(1)	
Increase in net tangible book value attributable to this offering	0.114(2) (3)	
Net tangible book value as at September 30, 2000 adjusted for this offering	0.746(3)	
Dilution to subscribers		0.924
Percentage dilution		55.3%

Notes:
(1) Calculated on the basis of 10,090,527 Common Shares outstanding (12,462,212 Common Shares on a fully diluted basis).
(2) Includes the gross proceeds of the offering of $2,984,992 from the sale of Flow-Through Special Warrants less the Agents' commissions of $149,249 and the estimated issue expenses of $85,000.
(3) Calculated on the basis of 11,877,947 Common Shares outstanding (14,249,632 Common Shares on a fully diluted basis).

RISK FACTORS

A potential investor should carefully consider the factors set forth below in deciding whether to invest in the securities of the Corporation. An investment in securities of the Corporation is suitable only to those investors who are willing to risk the loss of their entire investment. Investors must rely upon the ability, expertise, judgment, discretion, integrity and good faith of management of the Corporation. An investment in the securities of the Corporation is speculative and involves a high degree of risk due to the nature of the Corporation's involvement in the business of exploration for petroleum and natural gas. The following are certain risk factors relating to the business of the Corporation which prospective investors should carefully consider before deciding whether to purchase securities of the Corporation. **The following is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this prospectus.**

Exploration and Development

The Corporation is engaged in oil and natural gas exploration and development drilling, which is a high-risk venture with uncertain prospects for success and for which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Even if commercial quantities of petroleum or natural gas are discovered, there is no assurance that production therefrom or development thereof will occur or be profitable. Natural resource prices fluctuate widely and are affected by numerous factors such as inflation, interest rates, demand, global or regional political and economic crisis and production costs in major producing regions. The aggregate affect of these factors, all of which are beyond the Corporation's control, is impossible to predict. No assurance can be given that commercial accumulations of oil and natural gas will be discovered as a result of the efforts of the Corporation and prospective investors must rely upon the ability, expertise, judgment, discretion, integrity, and good faith of the management of the Corporation.

Advanced oil and natural gas related technologies such as three dimensional seismography, reservoir simulation studies and horizontal drilling may be used by the Corporation to improve its ability to find, develop and produce oil and natural gas.

Operations

The Corporation's operations are subject to all of the risks normally incident to the operation and development of oil and natural gas properties and the drilling of oil and natural gas wells, including encountering unexpected formations or pressures, blow-outs, premature decline of reservoirs, invasion of water into producing formations, craterings, fires and oil spills, all of which could result in personal injuries, loss of life and damage to property of the Corporation and others. The Corporation conducts its activities in accordance with customary industry practice and, in accordance with such practice, may not be fully insured against all such risks, nor are all such risks insurable and, as a result, liability arising from these risks could have a material adverse effect upon its financial condition. Business interruption insurance may also be purchased for selected facilities, to the extent that such insurance is available. The Corporation may become liable for damages arising from such events against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons.

The marketability of oil and natural gas acquired or discovered will be affected by numerous factors beyond the control of the Corporation. These factors include reservoir characteristics, market fluctuations, the proximity and capacity of oil and natural gas pipelines and processing equipment and government regulation. Oil and natural gas operations (exploration, production, pricing, marketing and transportation) are subject to extensive controls and regulations imposed by various levels of government which may be amended from time to time. Petroleum and natural gas operations are affected in varying degrees by government regulation such as restrictions on production, price controls, tax increases, expropriation of property, environmental and pollution controls or changes in conditions under which petroleum or natural gas may be marketed. The Corporation's oil and natural gas operations may also be subject to compliance with federal, provincial and local laws and regulations controlling the discharge of materials into the environment or otherwise relating to the protection of the environment.

The Corporation may experience growth through acquisitions. Its continued profitability and growth will depend in part upon its ability to successfully integrate its acquired assets with its existing business. There is no assurance that the Corporation will be able to successfully assimilate its acquisitions and its failure to do so could have a material adverse affect on its business, operations results and prospects.

Continuing production from a property, and to some extent the marketing of production therefrom, are largely dependent upon the ability of the operator of the property. Although the Corporation is currently operator of all of its properties, to the extent that it is not the operator of its oil and natural gas properties, the Corporation will be dependent on such operators for the timing of activities related to such properties and will be largely unable to direct or control the activities of the operators. To the extent the operator fails to perform these functions properly, revenue may be reduced. Payments from production generally flow through the operator and there is a risk of delay and additional expense in receiving such revenues if the operator becomes insolvent. Although satisfactory title reviews are conducted in accordance with industry standards, such reviews do not guarantee or certify that a defect in the chain of title may not arise to defeat the claim of the Corporation to certain properties. In addition, the success of the Corporation will be largely dependent upon the performance of its key officers.

Oil and Natural Gas Prices

The Corporation's results of operations and financial condition are dependent on the prices received for its oil and natural gas production. Oil and natural gas prices have fluctuated widely during recent years and are determined by supply and demand factors, including weather and general economic conditions as well as conditions in other oil producing regions, which are beyond the control of the Corporation. Any decline in oil and natural gas prices could have a material adverse effect on the Corporation's operations, financial condition, Proven Reserves and the level of expenditures of the development of its oil and natural gas reserves. The Corporation may manage the risk associated with changes in commodity prices and foreign exchanges rates from time to time, by entering into oil or natural gas price hedges and forward foreign exchange contracts. To the extent that the Corporation engages in risk management activities related to commodity prices and foreign exchange rates, it will be subject to credit risks associated with counterparties with which it contracts.

Debt Service

The Corporation has secured credit facilities. Variations in interest rates and scheduled principal repayments could result in significant changes in the amount required to be applied to debt service. Although the Corporation believes that the bank line of credit is sufficient for its immediate requirements, there can be no assurance that the amount will be adequate for the actual future financial obligations of the Corporation or that additional funds will be able to be obtained.

The lender is provided with security over substantially all of the assets of the Corporation. If the Corporation becomes unable to pay its debt service charges or otherwise commits an event of default, such as bankruptcy, the lender may foreclose on or sell the Corporation's properties or any other securities held by the Corporation.

Delay in Cash Payments

In addition to the usual delays in payment by purchasers of oil and natural gas to the operators of the properties, payments between any of such parties may also be delayed by restrictions imposed by lenders, delays in the sale or delivery of products, delays in the connection of wells to a gathering system, blowouts or other accidents, recovery by the operator of expenses incurred in the operation of the properties or the establishment by the operator of reserves for such expenses.

Reserve Estimates

The reserve and recovery information contained in the Sproule Report are only estimates and no assurance can be given that the indicated levels of reserves will be produced. Probable Reserves estimated for properties may require revision based on the actual development strategies employed to prove such reserves.

Environmental Concerns

The oil and natural gas industry is subject to environmental regulation pursuant to local, provincial and federal legislation. A breach of such legislation may result in the imposition of fines or issuance of clean up orders in respect of the Corporation or its properties. Such legislation may be changed to impose higher standards and potentially more costly obligations on the Corporation. See "Industry Conditions - Canadian Environmental Regulation". There can be no assurance that the Corporation will be able to satisfy its actual future environmental and reclamation obligations.

Special Places 2000

The Alberta Government's Special Places 2000 program was initiated in 1995. The stated focus of the program is to preserve and protect certain areas of environmental diversity and to achieve, where possible, three other goals: heritage appreciation, outdoor recreation and tourism/economic development with designated protected areas. Devlan's Marten Hills properties are a candidate for Special Places 2000 designation. Alberta Government publications indicate that at the local level, volunteer local committees examine candidate sites to determine if they should continue in the process. If so, the local committee is responsible for developing site-specific management guidelines, recommending boundary options and appropriate land-use activities for each site. They also ensure that their recommendations respect the rights of existing tenure holders. Local committees provide opportunities for everyone in the community to become involved by asking individuals and organizations to provide input on draft recommendations for each site. That public input is combined with detailed site information to prepare a final report for the Minister. Thirteen of 91 sections of Devlan's Marten Hills properties are currently within a Special Places

2000 site. Alberta Energy has deferred consideration of petroleum and natural gas leases on these 13 sections until further notice. Alberta Energy stated that decisions were being deferred since drilling could not be commenced due to the uncertain impact of the Special Places 2000 policy which has yet to be determined by the Alberta government. The Alberta government has indicated that the pending policy will allow for the development of hydrocarbons; however, there is no guarantee that the pending policy, if and when implemented, will in fact allow for such development. A local committee has recommended a scaled back version that will allow subsurface petroleum and natural gas sales. Devlan has not been advised of any decision made as the site designation or final boundaries. Any decision may materially delay exploration or development plans for, or impair the value of, Devlan's Marten Hills properties.

Additional Financing

To the extent that external sources of capital, including the issuance of additional securities of the Corporation become limited or unavailable, the Corporation's ability to make the necessary capital investments to continue in business or to maintain or expand natural gas and its oil reserves will be impaired. There can be no assurance that additional financing will be available or, if available, will be on reasonable terms. If financing is obtained by issuing treasury Common Shares, investors may suffer additional dilution. To the extent that the Corporation is required to use cash flow to finance capital expenditures or property acquisitions, lease expiry dates, work commitments, rental payments and additional option payments may not be satisfied and could result in a loss of property ownership by the Corporation.

Ownership by Management

As at the date hereof, directors, officers and control persons of Devlan as a group owned or exercised direct or indirect control or direction over an aggregate of 2,939,896 Common Shares, representing 24.96% of the outstanding Common Shares. After giving effect to the exercise of the Flow-Through Special Warrants, the directors and officers of the Corporation, as a group will beneficially own, directly or indirectly, approximately 30.19% of the outstanding Common Shares on a fully diluted basis. See "Principal Shareholders" and "Interest of Management and Others." Directors and officers as a group also hold, directly or indirectly, options and warrants to purchase or acquire an aggregate of an additional 1,871,685 Common Shares. See "Stock Options" and "Interest of Management and Others".

Potential Conflicts of Interest

Circumstances may arise where members of the board of directors of the Corporation are directors or officers of corporations which are in competition to the interests of the Corporation and, when acting on their own behalf or on behalf of others, may at times act in competition with the interests of Shareholders. No assurances can be given that opportunities identified by such board members will be provided to the Corporation. See "Conflicts of Interest".

In the event of such conflicts, decisions will be made on a basis consistent with the objectives and financial resources of each group of interested parties, the time limitations on investment of such financial resources, and on the basis of operating efficiencies having regard to the then current holdings of properties of each group of interested parties consistent with the duties of the Corporation to each such group of persons. All reasonable efforts will be used to resolve such conflicts of interest in a manner which will treat the Corporation and the other interested party fairly taking into account all of the circumstances of the Corporation and such interested party and to act honestly and in good faith in resolving such matters.

Industry Risks

Oil and natural gas operations, including lease acquisitions, are subject to extensive government regulation. Operations may be affected from time to time in varying degrees by political and environmental developments, such as restrictions on production, price controls, land tenure, tax increases, expropriation of property, pollution controls and changes in conditions under which oil and gas may be exported. Export sales are subject to the authorization of provincial and federal government agencies. Exports to the United States from Canada also require the authorization of United States federal authorities.

Title to oil and natural gas interests is often not susceptible of determination without incurring substantial expense. In accordance with industry practice, the Corporation will conduct such title reviews in connection with its principal properties as it believes are commensurate with the value of such properties. The actual interest of the Corporation in certain properties may vary from the Corporation's records.

The marketability and price of oil and natural gas which may be acquired or discovered by the Corporation may be affected by numerous factors beyond the control of the Corporation. The Corporation will be affected by the differential between the price paid by refiners for light quality oil and the medium grades of oil produced by the Corporation. The ability of the Corporation to market its natural gas may depend upon its ability to acquire space on pipelines which deliver natural gas to commercial markets. The Corporation will be subject to market fluctuations in the prices of oil and natural gas, deliverability uncertainties related to the proximity of its reserves to pipeline and processing facilities and extensive government regulation relating to price, taxes, royalties, land tenure, allowable production, the export of oil and natural gas and many other aspects of the oil and natural gas business. The Corporation will also be subject to compliance with federal, provincial and local laws and regulations controlling the discharge of materials into the environment or otherwise relating to the protection of the environment. The Corporation is not aware of any present material liability related to environmental matters. However, the Corporation may, in the future, be subject to liability for environmental offences of which it is presently unaware.

Competition

The oil and natural gas industry is intensely competitive and the Corporation must compete in all aspects of its operations with a substantial number of other companies which have greater technical and financial resources. Many of such companies not only explore for and produce oil and natural gas, but also carry on refining operations and market oil and other products on a worldwide basis. Generally, there is intense competition for the acquisition of resource properties considered to have commercial potential. Prices paid for both oil and natural gas produced are subject to market fluctuations and will directly affect the profitability of producing any oil or natural gas reserves which may be acquired or developed by the Corporation.

Dividends

The Corporation intends to reinvest its earnings in growth of the Corporation and accordingly does not intend to pay dividends within the foreseeable future.

Changes in Legislation

Canadian federal and provincial tax laws and government incentive programs relating to the oil and gas industry have a material effect on the advisability of investing in the Common Shares. The return on an investment in securities of the Corporation is subject to changes in such laws and incentive programs and there can be no assurance that such laws or programs will not be changed in a manner which adversely affects the Corporation or the holding or disposing of Common Shares.

Exchange Rate Variations

Since the Corporation's subsidiary, Devlan Wyoming, operates in the United States, fluctuations in the Canadian dollar and United States dollar exchange rates will affect the Corporation's revenue reported on a consolidated basis in Canadian dollars.

INDUSTRY CONDITIONS

Canadian Government Regulation

The oil and natural gas industry is subject to extensive controls and regulations imposed by various levels of government. It is not expected that any of these controls or regulations will affect the operations of the Corporation in a manner materially different than they would affect other oil and natural gas corporations of similar size.

Pricing and Marketing - Oil

In Canada, producers of oil negotiate sales contracts directly with oil purchasers, with the result that the market determines the price of oil. The price depends in part on oil quality, prices of competing fuels, distance to market and the value of refined products and the supply/demand balance. Oil exports may be pursuant to export contracts with terms not exceeding one year in the case of light crude, and not exceeding two years in the case of medium and heavy crude, provided that an order approving any such export has been obtained from the NEB. Any oil export to be made pursuant to a contract of longer duration requires that an exporter obtain an export licence from the NEB and the issue of such a licence requires the approval of the Governor General in Council.

Pricing and Marketing - Natural Gas

In Canada, the price of natural gas sold in intra-provincial, interprovincial and international trade is determined by negotiations between buyers and sellers. The price received by a natural gas producer depends, in part, on the price of competing natural gas and other fuels, type of natural gas produced, access to downstream transportation, length of contract term, weather conditions and the supply/demand balance.

Natural gas exported from Canada is subject to regulation by the NEB and the Government of Canada. Exporters are free to negotiate prices with purchasers, provided that export contracts must meet certain criteria prescribed by the Government of Canada and the NEB.

The governments of Alberta, British Columbia and Saskatchewan also regulate the volume of natural gas which may be removed from these provinces for consumption elsewhere based, mainly in the case of removals exceeding two years, on such factors as reserve availability, transportation arrangements, and market considerations.

The North American Free Trade Agreement

On January 1, 1994 the NAFTA among the governments of Canada, the United States and Mexico became effective. NAFTA carries forward most of the material energy terms contained in the Canada-U.S. Free Trade Agreement. In the context of energy resources, Canada continues to remain free to determine whether exports to the U.S. or Mexico will be allowed provided that any export restrictions do not: (i) reduce the proportion of the energy resource exported relative to domestic use; (ii) impose an export price higher than the domestic price; or (iii) disrupt normal channels of supply. All three countries are prohibited from imposing minimum export or import price requirements.

NAFTA contemplates the reduction of Mexican restrictive trade practices in the energy sector and prohibits discriminatory border restrictions and export taxes. The agreement also contemplates clearer disciplines on regulators to ensure fair implementation of any regulatory changes and to minimize disruption of contractual arrangements.

Provincial Royalties and Incentives

In addition to federal regulation, each province has legislation and regulations which govern land tenure, royalties, production rate, environmental protection and other matters. The royalty regime is a significant factor in the profitability of oil and natural gas production. Royalties payable on production from lands other than Crown lands are determined by negotiations between the mineral owner and the lessee. Crown royalties are determined by governmental regulation and are generally calculated as a percentage of the value of the gross production, and the rate of royalties payable generally depends in part of well productivity, geographical location, field discovery date and the type of quality of the petroleum product produced.

From time to time the governments of Canada, Alberta, British Columbia and Saskatchewan have established incentive programs which have included royalty rate reductions, royalty holidays and tax credits for the purpose of encouraging oil and natural gas exploration.

Canadian Environmental Regulation

The oil and natural gas industry is subject to environmental regulation pursuant to local, provincial and federal legislation. Environmental legislation provides for restrictions and prohibitions on releases or emissions of various substances produced or utilized in association with certain oil and natural gas industry operations and can affect the location of wells and facilities and the extent to which exploration and development is permitted. In addition, legislation requires that well and facility sites be abandoned and reclaimed to the satisfaction of provincial authorities. A breach of such legislation may result in the imposition of fines and penalties, clean-up orders, the suspension or revocation of necessary licenses and authorizations, and civil liability for pollution damage.

FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Corporation, and Stikeman, Graham & Keeley, counsel to the Agents, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable to individuals and corporations who hold Flow-Through Special Warrants which were issued to them by the Corporation and will acquire Common Shares on the exercise thereof and who are resident in Canada, deal at arm's length with the Corporation, and hold such Flow-Through Special Warrants and Common Shares acquired on the exercise of Flow-Through Special Warrants as capital property, all within the meaning of the Tax Act. Provided a holder of Flow-Through Special Warrants or Common Shares, as applicable, the "holder") is not a trader or dealer in securities generally, does not hold or use such securities in the course of carrying on a business and is not engaged in an adventure in the nature of trade with respect to such securities, the Flow-Through Special Warrants and Common Shares will generally be considered to be capital property to such person. This summary is not applicable to persons who are traders or dealers in securities or in petroleum, natural gas or mineral rights, who are "financial institutions" as defined in the Tax Act for purposes of the mark-to-market rules or to any person an investment in which would be a "tax shelter investment" for the purposes of the Tax Act.

This summary is based on the current provisions of the Tax Act, the regulations thereunder (the "Regulations"), the proposed amendments to the Tax Act and the Regulations publicly announced by the Minister of Finance prior to the date hereof (the "Tax Proposals") and counsels' understanding of the current published administrative and assessing practices published by the Canada Customs and Revenue Agency (the "CCRA"). It has been assumed that the Tax Proposals will be enacted as proposed, but no assurances can be given that any proposed amendments to the Tax Act and the Regulations will be enacted a proposed or at all. Except for the Tax Proposals, this summary does not consider any proposed or possible change in law, whether by legislative, governmental or judicial action. This summary does not consider the applicability of the income tax laws of any province or territory in Canada or of any foreign jurisdiction.

The Canadian federal income tax consequences to a particular holder hereunder will vary according to a number of factors including the particular Province in which the holder resides, carries on business or has a permanent establishment, the legal characterization of the holder as an individual or a corporation, and the amount that would be the holder's income but for the acquisition of the Flow-Through Special Warrants and the Common Shares acquired on the exercise thereof. **The following discussion of the income tax considerations is, therefore of a general nature only and it is not intended to constitute a complete analysis of all income tax considerations or income tax advice to any particular holder. Accordingly, holders are urged to consult their own income tax advisors with respect to the Canadian federal income tax consequences to them of acquiring and disposing of Flow-Through Special Warrants and Common Shares with reference to their own particular circumstances.**

This summary also assumes that the Corporation will comply with the terms of the Subscription Agreements will make all filings in respect of the issue of Flow-Through Special Warrants and the renunciation of CEE in the manner and within the time required by the Tax Act and the Regulations and that all renunciations will be validly made. In addition, while the Corporation will furnish each investor with information relevant to the investor's Canadian federal and provincial tax returns, the preparation and filing of such returns will remain the responsibility of each investor. This summary is based upon a representation by the Corporation that it will be a "principal-business corporation" and upon representations by the Corporation and the Agents that the Flow-Through Special Warrants will not be "prescribed shares" for purposes of the Tax Act and Regulations at all material times.

Expenditure of Proceeds

Under the Tax Act, a "principal-business corporation" that incurs CEE under an agreement for the issue of shares other than prescribed shares may be entitled to renounce such expenses to the holder of such shares within the parameters set forth in the Tax Act. The Corporation has represented that it is and at all material times will be, a "principal-business corporation" and the Corporation and the Agents have represented that the Flow-Through Special Warrants will not be prescribed shares.

Under the Subscription Agreements, the Corporation has agreed that an amount equal to the subscription price for each Flow-Through Special Warrant will be used by the Corporation for its own account to incur CEE. The Corporation has also agreed that it will renounce CEE to holders in an amount equal to the aggregate subscription price paid by such holder for Special Warrants. Such CEE as properly renounced to a holder will be deemed to have been incurred by the holder on the effective date of the renunciation in accordance with the Tax Act. The Corporation has agreed to renounce CEE effective December 31, 2000.

The amount of CEE that may be renounced to a holder under the Tax Act and under the Subscription Agreements is complex, but generally speaking, the Corporation will be entitled to renounce CEE incurred by it from the date that subscriptions for the Flow-Through Special Warrants are accepted to December 31, 2001, less: (i) any previous renunciations with respect to such expenses; (ii) any assistance that the Corporation has received or is entitled to receive or may reasonably be expected to receive from a government authority or other person reasonably relating to such expenses; (iii) any portion of the CEE which are prescribed Canadian exploration and development overhead expenses of the Corporation; and (iv) any portion of the CEE which relate to "off the shelf" seismic data or expenses related thereto. The amounts renounced may in no case exceed the consideration paid by the holders for the Flow-Through Special Warrants. Further, the Corporation will not be entitled to renounce CEE to the extent that such renunciation would cause the Corporation's own cumulative CEE account, to be a negative amount.

CEE which is renounced to a holder in accordance with the Subscription Agreements will be added to the holder's cumulative CEE account, for the holder's taxation year in which such renunciation is effective. A holder may deduct all or any portion of the balance in its cumulative CEE account at the end of a taxation year in computing its income for such year. Any undeducted balance in a holder's cumulative CEE account may be carried forward to subsequent years subject to certain restrictions relating to acquisitions of control of, and certain reorganizations involving, corporate subscribers.

Disposition of Flow-Through Special Warrants

The Flow-Through Special Warrants will be deemed to have a cost of nil. Any disposition or deemed disposition thereof by a holder (except where Common Shares are acquired upon the exercise of Flow-Through Special Warrants) will result in the realization of a capital gain equal to the holder's proceeds of the disposition less the reasonable expenses incurred to make the disposition, with the general consequences described below under "Disposition of Common Shares".

Upon the exercise of Flow-Through Special Warrants to acquire Common Shares, the holder will not realize any gain or loss. The cost of the Common Shares acquired upon the exercise of the Flow-Through Special Warrants will be nil. In connection with any disposition by a holder of Common Shares, the adjusted cost base of all Common Shares held by the holder as capital property will be averaged to determine the adjusted cost base of any particular Common Share to the holder.

Disposition of Common Shares

A disposition or deemed disposition of a Common Shares (other than to the Corporation) by a holder will result in the realization of a capital gain (or a capital loss) in the taxation year of the disposition equal to the amount by which the proceeds of disposition exceed (or are exceeded by) the aggregate of the adjusted cost base of such share and the reasonable expenses incurred by the holder for the purposes of making the disposition. Under the Tax Proposals, one-half of any capital gain (a "taxable capital gain") must be included in computing a holder's income for the taxation year in which the disposition occurs. Similarly, one-half of any capital loss incurred in a taxation year (an "allowable capital loss") may be deducted by a holder from taxable capital gains realized in such year or in any of the three preceding years or any subsequent year, subject to the detailed provisions of the Tax Act in that regard and the transitional rules contained in the Tax Proposals. Any tax consequences arising from a disposition of Common Shares will be measured by reference to the average cost of the Common Shares to the holder as described above.

Minimum Tax

Pursuant to the alternative minimum tax rules of the Tax Act, the federal tax otherwise payable under Part I of the Tax Act by an individual (other than certain trusts) will not be less than a minimum amount computed by reference to the individual's adjusted taxable income for the year. For this purpose the minimum amount is generally the amount by which 17% of adjusted taxable income in excess of $40,000 for the year exceeds the total of certain tax credits. In calculating adjusted taxable income for this purpose, certain deductions and credits otherwise available are disallowed. These disallowed items include deductions for CEE renounced to a holder to the extent that such a deduction gives rise to a loss or an increased loss from the particular source. The non-taxable portion of any capital gain is included in adjusted taxable income. Whether and to what extent a particular holder will be subject to minimum tax will depend upon the amount of the holder's income, the sources from which it is derived and the nature and amount of any deductions that are claimed. Any additional tax payable for a year resulting from the application of the minimum tax provisions is recoverable to the extent the tax otherwise determined exceeds the minimum amount for any of the following seven taxation years.

LEGAL PROCEEDINGS

The Corporation is not involved in any material legal proceedings by or against the Corporation at this time, nor is it aware of any potential claims which might reasonably be expected to give rise to legal proceedings as of the date hereof except a statement of claim filed on December 16, 1999 against Devlan by Mr. Joseph Wercholuk and Galaxy Trading Co. Ltd. for damages of $149,428 at the Court of Queen's Bench in the Judicial District of Calgary by a former shareholder of the Corporation. The action also claims unspecified damages for breach of contract, breach of trust, fiduciary duty, bad faith and breach of duty. The claim has not been resolved to date and the matter is proceeding with management denying all liability. Management believes that the claim is without merit and intends to vigorously defend itself against it.

DIVIDEND RECORD AND POLICY

Since incorporation, the Corporation has not paid any dividends on its outstanding Common Shares and has no current intention to declare dividends on its Common Shares in the foreseeable future, instead focusing on providing returns to Shareholders by creating value within the Corporation. Any decision to pay dividends on the Common Shares in the future will be dependent upon the financial requirements of the Corporation to finance future growth, the financial condition of the Corporation and other factors, which the board of directors of the Corporation may consider appropriate in the circumstances.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditors of the Corporation are Deloitte & Touche LLP, Chartered Accountants, with offices at 3000, 700 - 2nd Street S.W., Calgary, Alberta, T2P 0S7. Computershare Investor Services is the registrar and transfer agent for the Common Shares at its principal office in Calgary, Alberta.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the following sets forth the agreements which may be considered presently material to the Corporation:

1. Participation Agreement dated October 1, 1997 described under the heading "Interest of Management and Others";

2. Shareholder Rights Plan Agreement dated and effective September 11, 1998 described under the heading "Description of Share Capital - Shareholder Rights Plan";

3. Agreement of Purchase and Sale, Marten Hills Area, Alberta, dated November 24, 1998 described under the heading "Description of Business" and "Description of Principal Properties - Alberta Properties - Marten Hills";

4. Processing Agreement dated November 13, 1998 described under the heading "Description of Business" and "Description of Principal Properties - Alberta Properties - Keho Lake";

5. Option to Purchase dated November 13, 1998 described under the heading "Description of Business" and "Description of Principal Properties - Alberta Properties - Keho Lake";

6. Gas Processing and Option Agreement dated April 9, 1999 described under the heading "Description of Business" and "Description of Principal Properties - Alberta Properties - Marten Hills";

7. Agreement for Purchase and Sale dated October 8, 1999 described under the heading "Description of Principal Properties - Alberta Properties - Marten Hills";

8. Petroleum and Natural Gas Rights Conveyance Agreement dated October 29, 1999 described under the heading "Description of Principal Properties - Alberta Properties - Marten Hills";

9. Purchase and Sale Agreement (Widewater, Alberta) dated June 28, 2000 described under the heading "Recent Developments";

10. Royalty Agreement dated September 11, 2000 described under the heading "Recent Developments - Northwest Territories";

11. Letter of Understanding - Exploration Agreement effective September 22, 2000 described under the heading "Recent Developments - Northwest Territories";

12. Agency Agreement entered between the Corporation and the Agents described under the heading "Details of the Offering";

13. Flow-Through Special Warrant Indenture entered into between the Corporation and Montreal Trust Company of Canada as trustee described under the heading "Details of the Offering";

14. Letter Agreement dated June 16, 2000 as described under the heading "Recent Developments - West Central Alberta".

The material contracts set forth in numbers 1 through 13 above may be inspected at the Corporation's principal office in Calgary, 520, 520 - 5th Avenue S.W., Calgary, Alberta, T2P 3R7 and at the offices of the Alberta Securities Commission during normal business hours while primary distribution of the securities offered by this prospectus is in progress and for a period of 30 days thereafter. The material contract set forth in number 14 above contains certain confidential provisions but is summarized under the heading referred to above.

CONFLICTS OF INTEREST

There are potential conflicts of interest to which the directors and officers of the Corporation will be subject in connection with the operations of the Corporation. Some of the directors and officers have been and will continue to be engaged in the identification and evaluation, with a view to potential acquisition of, interests in businesses and corporations on their own behalf and on behalf of other corporations, and situations may arise where the directors and officers will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies under the ABCA. See "Interest of Management and Others", "Principal Shareholders ", "Stock Options", "Directors and Officers" and "Promoters".

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain of the provinces provides purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus or any amendment. In several of the provinces, securities legislation further provides a purchaser with remedies for rescission or, in some provinces, damages where the prospectus and any amendments contains a misrepresentation or is not delivered to the purchaser provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of his or her province. The purchaser should refer to any applicable provisions of the securities legislation of his or her province for the particulars of these rights or consult with a legal advisor.

CONTRACTUAL RIGHT OF ACTION FOR RESCISSION

In the event that a holder of a Flow-Through Special Warrant, who acquires Common Shares of the Corporation upon the exercise of a Flow-Through Special Warrant as provided for in this prospectus, is or becomes entitled under applicable legislation to the remedy of rescission by reason of this prospectus or any amendment hereto containing a misrepresentation, the holder shall be entitled to rescission not only of the holder's exercise of its Flow-Through Special Warrant but also of the private placement transaction pursuant to which the Flow-Through Special Warrant was initially acquired, and shall be entitled, in connection with such rescission, to a full refund of all consideration paid to the Corporation on the acquisition of the Flow-Through Special Warrant. In the event the holder is a permitted assignee of the interest of the original Flow-Through Special Warrant subscriber, that permitted assignee shall be entitled to exercise the rights of rescission and refund granted hereunder as if the permitted assignee was the original subscriber. The foregoing is in addition to any other right or remedy available to a holder of the Flow-Through Special Warrant under Section 168 of the *Securities Act* (Alberta) and similar sections of other applicable securities legislation or otherwise at law.

DEVLAN EXPLORATION INC.

CONSOLIDATED FINANCIAL STATEMENTS

Deloitte & Touche LLP
3000, 700 Second Street SW
Calgary AB Canada T2P 0S7

Telephone: +1-403-267-1700
Facsimile: +1-403-264-2871

Auditors' Report

To the Directors of
Devlan Exploration Inc.:

We have audited the consolidated balance sheets of **Devlan Exploration Inc.** as at December 31, 1999 and 1998 and the consolidated statements of loss and deficit and cash flows for the years then ended and the nine month period ended December 31, 1997. 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 audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 1999 and 1998 and the results of its operations and its cash flows for the years then ended and the nine month period ended December 31, 1997 in accordance with Canadian generally accepted accounting principles.

Calgary, Alberta
March 1, 2000 (except as to Note 17(b),
for which the date is as of January 29, 2001)

(signed) "DELOITTE & TOUCHE LLP"
Chartered Accountants

DEVLAN EXPLORATION INC.

Consolidated Statements of Loss and Deficit

	September 30, 2000 (9 months) (Unaudited)	September 30, 1999 (9 months) (Unaudited)	December 31, 1999 (12 months)	December 31, 1998 (12 months)	December 31, 1997 (9 months)
	$	$	$	$	$
REVENUE					
Production revenue	6,364,999	3,301,473	4,939,655	1,298,917	606,409
Royalty expense	(1,220,661)	(705,472)	(886,979)	(122,823)	(56,771)
Other	399,852	389,411	316,294	-	-
	5,544,190	2,985,412	4,368,970	1,176,094	549,638
EXPENSES					
Operating	1,120,280	916,768	1,176,335	469,145	258,090
General and administrative	526,881	398,172	647,508	296,891	210,318
Interest and bank charges	488,288	552,781	750,433	150,645	21,591
Depletion, depreciation and amortization	3,156,385	299,100	2,175,731	399,109	170,783
	5,291,834	2,166,821	4,750,007	1,315,790	660,782
EARNINGS (LOSS) BEFORE INCOME TAXES	252,356	818,591	(381,037)	(139,696)	(111,144)
FUTURE INCOME TAXES	95,920	-	-	-	-
NET EARNINGS (LOSS)	156,436	818,591	(381,037)	(139,696)	(111,144)
DEFICIT, BEGINNING OF PERIOD	(1,644,495)	(1,263,458)	(1,263,458)	(1,123,762)	(1,012,618)
REPURCHASE OF SHARES (Note 9)	27,007	-	-	-	-
DEFICIT, END OF PERIOD	(1,515,066)	(444,867)	(1,644,495)	(1,263,458)	(1,123,762)
EARNINGS (LOSS) PER SHARE (Note 10)					
Basic	0.02	0.14	(0.06)	(0.03)	(0.03)
Fully diluted	0.01	0.12	-	-	-

DEVLAN EXPLORATION INC.

Consolidated Balance Sheets

	September 30, 2000 (Unaudited) $	December 31, 1999 $	December 31, 1998 $
ASSETS			
CURRENT			
Cash	-	1,404,048	3,123
Accounts receivable	1,905,019	989,830	246,720
Prepaid expenses and deposits	354,972	210,902	115,866
	2,259,991	2,604,780	365,709
Petroleum and natural gas properties and facilities (Note 3)	18,122,179	15,094,122	11,120,743
	20,382,170	17,698,902	11,486,452
LIABILITIES			
CURRENT			
Bank indebtedness (Note 4)	501,905	-	-
Accounts payable and accrued liabilities	3,573,192	2,495,587	594,428
Current portion of long-term debt (Note 5)	1,440,000	1,440,000	1,760,000
Current portion of obligations under capital leases (Note 6)	961,532	1,079,971	145,025
Advance from related party (Note 7)	48,150	1,250,203	2,010,000
	6,524,779	6,265,761	4,509,453
Long-term debt (Note 5)	1,940,000	1,380,000	2,500,000
Obligations under capital leases (Note 6)	1,912,311	2,496,209	1,030,081
Long-term advance from related party (Note 8)	1,000,000	-	-
Deferred revenue	899,678	1,159,971	228,089
Future site restoration and abandonment costs	149,470	111,406	91,698
Future income taxes (Note 11)	1,476,640	-	-
	13,902,878	11,413,347	8,359,321
SHAREHOLDERS' EQUITY			
Share capital (Note 9)	7,994,358	7,930,050	4,390,589
Deficit	(1,515,066)	(1,644,495)	(1,263,458)
	6,479,292	6,285,555	3,127,131
	20,382,170	17,698,902	11,486,452

APPROVED BY THE BOARD

(signed) "Gary J. Cochrane", Director

(signed) "Stephen H. Freedhoff", Director

DEVLAN EXPLORATION INC.

Consolidated Statements of Cash Flows

	September 30,		December 31,		December 31,
	2000	1999	1999	1998	1997
	(9 months) (Unaudited)		(12 months)		(9 months)
	$	$	$	$	$
CASH FLOWS RELATED TO THE FOLLOWING ACTIVITIES:					
OPERATING					
Net earnings (loss)	156,436	818,591	(381,037)	(139,696)	(111,144)
Adjustments for:					
Amortization of deferred revenue	(354,135)	(254,021)	(316,294)	-	-
Depletion, depreciation and amortization	3,156,385	299,100	2,175,731	399,109	170,783
Future income taxes	95,920	-	-	-	-
Gain on settlement of debt	-	-	-	-	(17,069)
Funds flow from operations	3,054,606	863,670	1,478,400	259,413	42,570
Changes in non-cash working capital	(1,777,838)	1441,900	(1,178,347)	(386,587)	(465,587)
	1,276,768	2,305,570	300,053	(127,174)	(423,017)
FINANCING					
Proceeds from issuance of common shares	-	1,201,155	4,905,087	1,601,682	1,029,841
Increase in long-term debt and debentures	1,560,000	(2,040,000)	(1,440,000)	3,410,000	850,000
Increase (decrease) in advance from related party	(1,202,053)	(558,232)	(759,797)	2,010,000	(850,000)
Repayment of debenture payable	-	-	-	(50,000)	-
Proceeds from obligations under capital leases	-	3,306,027	3,047,953	1,200,000	-
Repayment of obligations under capital leases	(702,337)	(614,177)	(904,953)	(24,894)	-
Repurchase of shares	(124,944)	-	-	-	-
	(469,334)	1,294,773	4,848,290	8,146,788	1,029,841
INVESTING					
Purchase of petroleum and natural gas properties	(2,693,579)	(4,270,497)	(3,714,839)	(8,423,540)	(642,121)
Proceeds from disposal of petroleum and natural gas properties	-	-	-	460,000	-
Purchase of administration assets	(19,807)	(22,429)	(32,579)	-	-
	(2,713,386)	(4,292,926)	(3,747,418)	(7,963,540)	(642,121)
NET (DECREASE) INCREASE IN CASH	(1,905,952)	(692,583)	1,400,925	56,074	(35,297)
CASH (BANK INDEBTEDNESS), BEGINNING OF PERIOD	1,404,048	3,123	3,123	(52,951)	(17,654)
CASH (BANK INDEBTEDNESS), END OF PERIOD	(501,904)	(689,460)	1,404,048	3,123	(52,951)
SUPPLEMENTAL INFORMATION:					
Interest paid	512,766	835,549	596,857	128,853	3,128
FUNDS FLOW PER SHARE (Note 10)					
Basic	0.31	0.15	0.25	0.06	-
Fully diluted	0.25	0.13	0.13	0.04	-

1. SIGNIFICANT ACCOUNTING POLICIES

Petroleum and natural gas properties and facilities

Devlan Exploration Inc. (the "Company") follows the full cost method of accounting for petroleum and natural gas operations, whereby all costs relating to the exploration and development of petroleum and natural gas reserves are capitalized on a country-by-country cost centre basis. Such costs include land acquisition costs, costs of drilling both productive and non-productive wells, well equipment, flow-line and plant costs, geological and geophysical expenses and overhead expenses directly related to exploration and development activities.

Gains or losses on sales of properties are recognized only when crediting the proceeds to the recorded costs would result in a change of 20% or more in the depletion and depreciation rate.

Petroleum and natural gas properties and field facility costs are depleted using the unit-of-production method based on estimated proven reserves of petroleum and natural gas before royalties as determined by independent petroleum engineers. Proven natural gas reserves and production are converted to equivalent volumes of crude petroleum based on the approximate relative price ratio of 10 mcf of natural gas to one barrel of crude oil.

The net book value of the Company's petroleum and natural gas properties and facilities is subject to the cost recovery test ("ceiling test"). The Company estimates the future net revenues, using year end prices, plus the lower of cost and estimated fair value of unproven properties, less future site restoration and abandonment costs, general and administrative expenses, financing costs and income taxes. Any deficiency in the future recoverable costs as compared to the net book value is charged to current operations as part of depletion and amortization expense.

Future site restoration and abandonment costs

Future site restoration and abandonment costs are provided for on the basis of estimated costs divided by the estimated economic life of the estimated proven reserves. Costs are estimated each year by management in consultation with the Company's independent petroleum engineers based on current regulations, costs, technology and industry standards. The annual charge is included in depletion and amortization expense, and actual removal and site restoration expenditures are charged to the accumulated provision account as incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint venture

Substantially all of the Company's exploration, development and production activities are conducted on its own account. However, the Company does have interests in properties for which there are minor joint venture partners. These financial statements reflect only the Company's proportionate interest in such activities.

Flow-through shares

Share capital includes flow-through shares issued pursuant to certain provisions of the Income Tax Act (Canada). Under the Act, where the proceeds are used for eligible expenditures, the related income tax deductions may be renounced to subscribers. Share capital is reduced by an amount equal to the estimated tax incentives renounced by the Company as the funds are spent and a future income tax liability is established.

Hedging

The Company periodically enters into forward contracts to reduce its exposure to price fluctuations on a portion of its natural gas production. The contracts are not used for speculative trading purposes. Gains or losses on these contracts are reported as adjustments to natural gas revenue in the related production month.

Deferred revenue

Deferred revenue represents the gains on the sale of two compressor facilities (net of related costs), which are subject to sale and leaseback agreements. One facility was sold in 1998 and another in 1999. The deferred revenue is recognized in income on a declining-balance basis consistent with the depreciation policy utilized for the related compressor facilities under capital lease.

Income taxes

Effective January 1, 2000, the Company adopted the recommendations of Canadian Institute of Chartered Accountants ("CICA") Handbook with respect to income taxes. Under this method, future income tax liabilities and future income tax assets are recorded based on temporary differences - the difference between the carrying amount of an asset and liability in the consolidated balance sheet and its tax basis. Prior to that date, the Company followed the deferral method of accounting for income taxes.

2. CHANGE IN ACCOUNTING STANDARD

Effective January 1, 2000, the Company adopted the new accounting recommendation of the CICA, for accounting for income taxes using the liability method. The new policy was applied retroactively and did not result in an adjustment to the Company's deficit. For the year ended December 1999 and 1998, the Company followed the deferral method of accounting for tax effects of timing differences between taxable income and income as recorded in the financial statements.

3. PETROLEUM AND NATURAL GAS PROPERTIES AND FACILITIES

		September 30, 2000 (Unaudited)	
	Cost $	Accumulated Depletion, Depreciation and Amortization $	Net Book Value $
Canada			
Petroleum and natural gas properties and facilities	18,757,188	3,742,201	15,014,987
Compressor facilities under capital leases	3,576,180	713,472	2,862,708
Administrative assets	69,540	25,722	43,818
	22,402,908	4,481,395	17,921,513
United States			
Petroleum and natural gas properties and facilities	200,666	-	200,666
	22,603,574	4,481,395	18,122,179

Included in depletion at September 30, 2000 was the write-down of the United States petroleum and natural gas properties and facilities amounting to $1,420,156.

3. PETROLEUM AND NATURAL GAS PROPERTIES AND FACILITIES (Continued)

	December 31, 1999		
	Cost $	Accumulated Depletion, Depreciation and Amortization $	Net Book Value $
Canada			
Petroleum and natural gas properties and facilities	12,736,468	2,561,090	10,175,378
Compressor facilities under capital leases	3,576,180	303,000	3,273,180
Administrative assets	49,733	12,984	36,749
	16,362,381	2,877,074	13,485,307
United States			
Petroleum and natural gas properties and facilities	1,608,815	-	1,608,815
	17,971,196	2,877,074	15,094,122

	December 31, 1998		
	Cost $	Accumulated Depletion, Depreciation and Amortization $	Net Book Value $
Canada			
Petroleum and natural gas properties and facilities	9,096,062	744,171	8,351,891
Compressor facilities under capital leases	1,200,000	-	1,200,000
Administrative assets	17,154	4,454	12,700
	10,313,216	748,625	9,564,591
United States			
Petroleum and natural gas properties and facilities	1,556,152	-	1,556,152
	11,869,368	748,625	11,120,743

3. PETROLEUM AND NATURAL GAS PROPERTIES AND FACILITIES (Continued)

Additions to petroleum and natural gas properties and facilities for the nine months ended September 30, 2000 amounted to $6,032,728 (December 31, 1999 - $6,879,636; 1998 - $9,010,707) of which $2,244,272 (December 31, 1999 - $1,458,547; 1998 - $134,848) is included in accounts payable and accrued liabilities; and $1,094,877 (December 31, 1999 - $Nil; 1998 - $Nil) relates to the capitalization of flow-through share tax benefits which were reclassified to a future income tax liability. In December 31, 1999, $1,706,250 (1998 - $228,089) of the capital additions relates to the gain on the sale and leaseback of a compressor.

The capitalized overhead expense for the nine months ended September 30, 2000 was $115,088 (December 31, 1999 - $149,899; 1998 - $99,912).

4. BANK INDEBTEDNESS

The Company has a revolving credit facility for up to $1,000,000. Amounts outstanding bear interest at prime plus 1%, and are secured by a fixed and floating charge debenture over all the assets of the Company and are repayable monthly.

5. LONG-TERM DEBT

	September 30, 2000 (Unaudited) $	December 31, 1999 $	December 31, 1998 $
Term loan bearing interest at bank prime plus 1%, secured by a general security agreement and fixed and floating debenture over all the assets of the Company, repayable in monthly instalments of $120,000	3,380,000	-	-
The Company had a bank credit facility for up to $3,500,000. Amounts outstanding bore interest at bank prime plus 1%, were secured by a general security agreement and fixed and floating charge debenture over all the assets of the Company and were repayable in monthly instalments of $120,000 commencing November 1, 1999	-	2,820,000	3,060,000

5. LONG-TERM DEBT (Continued)

	September 30, 2000 (Unaudited) $	December 31, 1999 $	December 31, 1998 $
Term loan that bore interest at bank prime plus 2%, secured by a general security agreement and fixed and floating debenture over all the assets of the Company, repayable in monthly instalments of $40,000 commencing February 1, 1999	-	-	1,200,000
	3,380,000	2,820,000	4,260,000
Less current portion	1,440,000	1,440,000	1,760,000
	1,940,000	1,380,000	2,500,000

The Company has a revolving bank credit facility for up to $1,000,000. Amounts outstanding bear interest at prime plus 1%, and are secured by a fixed and floating charge debenture over all the assets of the Company and are repayable monthly.

Interest on long-term debt amounted to $209,899 for the nine months ended September 30, 2000 (September 30, 1999 - $211,431). For the years ended December 31, 1999 and 1998, the interest on long-term debt amounted to $270,474 and $92,126 respectively. For the nine month period ended December 31, 1997, interest on long-term debt amounted to $11,333.

The aggregate principal payments required to meet this obligation in each of the next three years are as follows:

	$
2001	1,440,000
2002	1,440,000
2003	500,000

6. OBLIGATIONS UNDER CAPITAL LEASES

The aggregate future minimum lease payments required to meet the obligations under capital leases related to compressor facilities are as follows:

	2000 (Unaudited) $	1999 $	1998 $
Year ending December 31, 1999	-	-	258,456
2000	446,294	1,389,174	258,456
2001	995,255	995,255	258,456
2002	830,807	830,807	258,456
2003	1,070,643	1,070,643	529,048
Total minimum lease payments	3,342,999	4,285,879	1,562,872
Less interest implicit in leases (rates ranging from 8% to 10.85%)	469,156	709,699	387,766
	2,873,843	3,576,180	1,175,106
Less current portion	961,532	1,079,971	145,025
	1,912,311	2,496,209	1,030,081

7. ADVANCE FROM RELATED PARTY

The advance from related party, a company of which certain officers and directors of the Company are shareholders, is due on demand, bears interest at bank prime plus 2.5% and is secured by a floating charge debenture over the assets of the Company, subordinated to the bank's security. Total interest paid on this indebtedness for the nine months ended September 30, 2000 amounted to $45,578 (December 31, 1999 - $170,989; 1998 - $3,379; 1997 - $Nil).

8. LONG-TERM ADVANCE FROM RELATED PARTY

On September 21, 2000, the Company received $1,000,000 from a related party, a company of which certain officers and directors of the Company are shareholders. It is the intention of management that the advance will be converted to a $1,000,000 subordinated convertible , redeemable debenture due September 21, 2002, will bear interest at the rate of Canadian Western bank prime rate plus 1% and the conversion price of the debenture will be $1.35 per share for every $1.00 of debenture, which translates into a potential issuance of 740,741 common shares.

9. SHARE CAPITAL

	Number of Shares	Amount $
Authorized		
Unlimited number of common shares		
Unlimited number of first preferred shares		
Unlimited number of second preferred shares		
Issued		
Common shares		
Balance, December 31, 1997	4,389,481	3,680,907
Issued for property acquisitions	104,088	124,900
Private placement flow-through common shares (net of tax incentives renounced of $410,554)	995,336	584,782
Balance, December 31, 1998	5,488,905	4,390,589
Private placement	97,222	70,000
Exercise of stock options	25,000	20,500
Private placement flow-through common shares (net of tax incentives renounced of $782,813 and issue costs of $222,616)	4,254,400	3,248,961
Balance December 31, 1999	9,865,527	7,730,050
Repurchased and cancelled (normal course issuer bid)	(125,000)	(97,937)
Issued for property acquisitions	350,000	448,088
Adjustment for tax incentives renounced under the flow-through share program	-	(285,843)
Balance September 30, 2000	10,090,527	7,794,358

9. SHARE CAPITAL (Continued)

	Number of Shares	Amount $
Warrants		
Balance, December 31, 1998	-	-
Private placement	500,000	200,000
Private placement	194,444	-
Balance December 31, 1999 and September 30, 2000	694,444	200,000
		7,994,358

Share consolidation

On October 16, 1998, the Company received shareholder approval to consolidate the common shares of the Company on a one-for-four basis. The number of common shares reflects this consolidation.

Conversion of debt

Effective December 30, 1999, $237,000 of debt owing to a related party (Note 7) was converted into 237,000 flow-through common shares at a value of $1.00 per share.

Warrants

On May 11, 1999, the Company issued 500,000 warrants to purchase common shares before May 10, 2003, at an exercise price of $0.88 if exercised before May 10, 2000. The exercise price will increase by $0.10 per common share each year thereafter until expiry. These warrants were ascribed a value of $200,000 ($0.40 per warrant) as part of the consideration for entering into a capital lease arrangement.

As part of a private placement, effective July 21, 1999, the Company issued 194,444 warrants to purchase common shares at an exercise price of $1.00 by July 16, 2000. The exercise period for these warrants was subsequently extended to July 21, 2004. These warrants were assigned no specific value as all proceeds from the private placement are recorded in equity.

None of the above warrants were exercised as at September 30, 2000.

9. SHARE CAPITAL (Continued)

Normal course issuer bid

In March of 2000, the Company purchased and subsequently cancelled 125,000 of its common shares pursuant to a normal course issuer bid. The cost of the purchase was $124,944, of which $97,937 was charged to stated capital based on the average cost per share as of the date of repurchase, and the remaining $27,007 was an adjustment to retained earnings.

Stock options

At September 30, 2000, the Company had granted to directors, officers and employees stock options for 936,500 common shares at $0.82 to $1.00 per share expiring between December 3, 2003 and January 14, 2005 as follows:

	September 30, 2000 (Unaudited)		December 31, 1999		December 31, 1998	
	Share Options	Weighted Average Exercise Price $	Share Options	Weighted Average Exercise Price $	Share Options	Weighted Average Exercise Price $
Outstanding, beginning of year	551,500	0.89	375,000	0.82	390,000	2.12
Granted	385,000	0.84	211,500	1.00	375,000	0.82
Exercised	-	-	(25,000)	0.82	-	-
Cancelled	-	-	(10,000)	0.82	(390,000)	2.12
Outstanding, end of year	936,500	0.89	551,500	0.89	375,000	0.82
Exercisable, end of year	869,834		418,166		-	

9. SHARE CAPITAL (Continued)

	September 30, 2000 (Unaudited)		December 31, 1999		December 31, 1998	
	Options Outstanding		Options Outstanding		Options Outstanding	
Exercise price	Number of Options Outstanding	Weighted Average Exercise Price $	Number of Options Outstanding	Weighted Average Exercise Price $	Number of Options Outstanding	Weighted Average Exercise Price $
$0.82	340,000	0.82	340,000	0.82	340,000	0.82
$0.84	285,000	0.84	-	-	-	-
$1.00	311,500	1.00	211,500	1.00	78,166	1.00
	936,500		551,500		418,166	

10. EARNINGS (LOSS) AND FUNDS FLOW PER SHARE

Earnings (loss) and funds flow per share are calculated using the weighted average number of shares outstanding during the nine months ended September 30, 2000, which was 9,811,421 (December 31, 1999 - 6,000,222; 1998 - 4,432,990). Fully diluted funds flow per share is calculated based on the maximum dilution giving effect to all potential share conversions. Fully diluted loss per share is not presented because of its anti-dilutive nature. The number of shares outstanding at the end of September, 2000 after taking into account the maximum dilution was 12,462,212 (December 31, 1999 - 11,146,471; 1998 - 5,863,905).

11. INCOME TAXES

The provision for income tax differs from the amounts that would have resulted from the combined federal and provincial tax rate had it been applied for the following periods:

	September 31,		December 31,		
	2000	1999	1999	1998	1997
	(Unaudited)				
	$	$	$		$
Earnings (loss) before income tax	252,356	818,591	(381,037)	(139,696)	(111,144)
Computed income tax expense (recovery) at statutory rate of 44.6%	112,601	365,255	(170,019)	(62,332)	(49,592)
Non-deductible and non-taxable amounts related to:					
Non-deductible crown payments	399,679	167,656	364,101	11,920	12,028
Non-deductible - other	2,231	1,879	4,979	1,229	1,116
Federal resource allowance	(498,506)	(133,912)	(243,430)	(27,381)	(2,794)
Financing costs	(42,489)	(4,685)	(41,872)	(644)	(286)
ARTC	(44,620)	-	(92,163)	-	-
Application of loss carryforwards	-	(396,193)	-	-	-
Unrecognized deferred tax asset	-	-	178,404	77,208	39,528
Increase in future tax liability	167,024	-	-	-	-
	95,920	-	-	-	-

11. INCOME TAXES (Continued)

The Company has the following available tax pools:

	September 30, 2000 (Unaudited)	December 31, 1999	1998	1997
Undepreciated capital costs	2,711,000	1,995,000	2,148,000	467,000
Canadian oil and gas property expenses	5,298,000	5,104,000	5,050,000	864,000
Canadian development expense	1,923,000	2,751,000	1,883,000	1,312,000
Canadian exploration expense	1,425,000	416,000	476,000	464,000
Foreign exploration and development expenses	1,108,000	1,228,000	1,312,000	741,000
Financing costs	285,000	386,000	5,000	11,000
	12,750,000	11,880,000	10,874,000	3,859,000

12. FINANCIAL INSTRUMENTS

The carrying amounts of the Company's financial assets and liabilities approximate their fair value. From time to time, the Company enters into natural gas contracts for hedging purposes in order to protect its cash flow on future sales from the potential adverse impact of declining natural gas prices. The contracts reduce the fluctuation in sales revenue by locking in fixed prices and exchange rates on a portion of its natural gas. At September 30, 2000 (December 31, 1999 - $Nil; 1998 - $Nil) there were no hedges outstanding.

13. SEGMENTED INFORMATION

Nine months ended September 30, 2000

	Canada $	U.S. $	Total $
Revenue (net of royalties)	5,532,561	11,629	5,544,190
Depletion, depreciation and amortization	1,736,229	-	1,736,229
Write-down of property	-	1,420,156	1,420,156
Operating costs	1,107,836	12,444	1,120,280
Segment operation profit (loss)	2,688,496	(1,420,971)	1,267,525
Interest and bank charges			488,288
Corporate expenses			526,881
Future income taxes			95,920
Net earnings			156,436
Identifiable assets	20,181,504	200,666	20,382,170
Capital expenditures	6,024,714	8,014	6,032,728

Nine months ended September 30, 1999

	Canada $	U.S. $	Total $
Revenue (net of royalties)	2,985,412	-	2,985,412
Depletion, depreciation and amortization	299,100	-	299,100
Operating costs	880,185	36,583	916,768
Segment operation profit (loss)	1,806,127	(36,583)	1,769,544
Interest and bank charges			552,781
Corporate expenses			398,172
Net earnings			818,591
Identifiable assets	15,642,247	1,608,815	17,251,062
Capital expenditures	5,059,723	52,663	5,112,386

13. SEGMENTED INFORMATION (Continued)

Year ended December 31, 1999

	Canada $	U.S. $	Total $
Revenue (net of royalties)	4,367,671	1,299	4,368,970
Depletion, depreciation and amortization	2,175,731	-	2,175,731
Operating costs	1,089,310	87,025	1,176,335
Segment operation profit (loss)	1,102,630	(85,726)	1,016,904
Interest and bank charges			750,433
Corporate expenses			647,508
Net loss			(381,037)
Identifiable assets	16,090,087	1,608,815	17,698,902
Capital expenditures	6,826,973	52,663	6,879,636

Year ended December 31, 1998

	Canada $	U.S. $	Total $
Revenue (net of royalties)	1,176,094	-	1,176,094
Depletion, depreciation and amortization	399,109	-	399,109
Operating costs	469,145	-	469,145
Segment operation profit	307,840	-	307,840
Interest and bank charges			150,645
Corporate expenses			296,891
Net loss			(139,696)
Identifiable assets	9,930,300	1,556,152	11,486,452
Capital expenditures	8,311,590	616,054	8,927,644

13. SEGMENTED INFORMATION (Continued)

Segmented information has not been disclosed for the nine month period ended December 31, 1997 as the Company did not have any U.S. operations.

14. RELATED PARTY TRANSACTIONS

Pursuant to an agreement entered into in 1999 between the Company and certain officers, directors and/or shareholders, the Company incurred $99,812 in royalties payable to related parties during the nine months ended September 30, 2000 ($68,958 for the nine months ended September 30, 1999). For the year ended December 31, 1999, the amount incurred was $99,107 (1998 - $Nil).

15. COMMITMENT

The Company has utilized the look-back provisions of the Income Tax Act with respect to flow-through shares issued in December 1999, whereby they may renounce expenditures before they are incurred. Under these provisions and as at September 30, 2000, the Company must spend an additional $1,097,517 (December 31, 1999 - $2,500,000) of Canadian exploration expenses before December 31, 2000.

16. CONTINGENCY

A statement of claim has been filed against the Company and one of its officers during the period ended September 30, 2000, seeking damages in the amount of $149,429. The claim alleges that the Company and one of its officers breached its fiduciary duty in respect of the Company finding a purchaser for the claimant's shares. Management believes that the claim is unfounded, however, since legal discoveries have just commenced, the outcome is indeterminable at this time.

17. SUBSEQUENT EVENTS

a) Effective November 1, 2000, the Company entered into two contracts forward selling its gas production as follows:

   i) from November 1, 2000 to March 31, 2001, the Company will sell 2,500 GJ's per day for $7.07 per GJ.

   ii) from December 1, 2000 to March 31, 2001, the Company will sell 1,500 GJ's per day for $5.98 per GJ.

17. SUBSEQUENT EVENTS (Continued)

b) Pursuant to a prospectus dated January 29, 2001, the Company will qualify for distribution 1,787,420 common shares issuable on exercise of 1,787,420 flow-through special warrants issued October 31, 2000 at a price of $1.67 per flow-through special warrant for aggregate cash consideration of $2,984,992. The costs of the issue including agents commission are estimated to be $235,000. The flow-through special warrants may be exercised at any time until 4:00 p.m. (Calgary time) on the earlier of:

   i) five days after the date upon which a receipt for this prospectus has been obtained from the securities commissions; and

   ii) October 31, 2001.

   Flow-through special warrants that have not been exercised shall be automatically exercised and the common shares will be automatically issued.

   If the Company does not obtain receipts for the prospectus dated on or before February 28, 2001, being 120 days following closing of the private placement of the flow-through special warrants, each holder of flow-through special warrants in a filing province in which such a receipt has not been obtained, will thereafter be entitled upon exercise thereof to receive, subject to adjustment in accordance with the flow-through special warrant indenture, 1.1 common shares (of which 0.1 of a common share will not entitle the holder to any additional flow-through tax benefits) in lieu of the one common share that each flow-through special warrant was previously exercisable into.

c) Normal course issuer bid

   In November of 2000, the Company purchased and subsequently cancelled 22,100 of its common shares pursuant to a normal course issuer bid. The cost of the purchase of common shares amounted to $33,592.

d) Private placements

   Two private placements for the issuance of flow-through common shares were closed in December of 2000. The first was closed December 21 wherein 708,338 common shares were issued at a price of $1.68 per share, amounting to gross proceeds of $1,190,008. The second was closed December 22, 2000 for 1,000,000 common shares at a price of $1.90 per share, amounting to gross proceeds of $1,900,000.

CERTIFICATE OF THE CORPORATION AND PROMOTERS

Dated: January 29, 2001

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta) and by Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder.

(signed) "Martin J. Cheyne" President, Chief Executive Officer and Director	(signed) "William M. Matheson" Chief Financial Officer, Vice-President, Corporate Development

On behalf of the Board of Directors

(signed) "Gary J. Cochrane" Director	(signed) "Bradley B. Porter" Director

Promoters

(signed) "Martin J. Cheyne"	(signed) "Bradley Porter"

(signed) "Lyle Reinhart"

CERTIFICATE OF THE AGENTS

Dated: January 29, 2001

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta) and by Part XV of the *Securities Act* (Ontario) and the respective regulations thereunder.

CANACCORD CAPITAL CORPORATION

By: (signed) "Stephen J. Mullie"
Senior Vice President & Director

DOMINICK & DOMINICK SECURITIES INC.

By: (signed) "Paul Morgante"
President