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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2016

or

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

Commission File Number 001-32318

DEVON ENERGY CORPORATION
(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**73-1567067** **(I.R.S. Employer identification No.)**
333 West Sheridan Avenue, Oklahoma City, Oklahoma **(Address of principal executive offices)**	**73102-5015** **(Zip code)**

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

Former name, address and former fiscal year, if changed from last report: Not applicable

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

On April 20, 2016, 524.0 million shares of common stock were outstanding.

DEVON ENERGY CORPORATION

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DEFINITIONS

Unless the context otherwise indicates, references to "us," "we," "our," "ours," "Devon" and the "Company" refer to Devon Energy Corporation and its consolidated subsidiaries. In addition, the following are other abbreviations and definitions of certain terms used within this Quarterly Report on Form 10-Q:

"ASU" means Accounting Standards Update.

"Bbl" or "Bbls" means barrel or barrels.

"Boe" means barrel of oil equivalent. Gas proved reserves and production are converted to Boe, at the pressure and temperature base standard of each respective state in which the gas is produced, at the rate of six Mcf of gas per Bbl of oil, based upon the approximate relative energy content of gas and oil. Bitumen and NGL proved reserves and production are converted to Boe on a one-to-one basis with oil.

"Btu" means British thermal units, a measure of heating value.

"Canada" means the division of Devon encompassing oil and gas properties located in Canada. All dollar amounts associated with Canada are in U.S. dollars.

"Canadian Plan" means Devon Canada Corporation Incentive Savings Plan.

"DD&A" means depreciation, depletion and amortization expenses.

"Devon Plan" means Devon Energy Corporation Incentive Savings Plan.

"EnLink" means EnLink Midstream Partners, L.P., a master limited partnership.

"FASB" means Financial Accounting Standards Board.

"G&A" means general and administrative expenses.

"GAAP" means U.S. generally accepted accounting principles.

"General Partner" means EnLink Midstream, LLC, the indirect general partner of EnLink.

"Inside FERC" refers to the publication Inside F.E.R.C.'s Gas Market Report.

"LIBOR" means London Interbank Offered Rate.

"LOE" means lease operating expenses.

"MBbls" means thousand barrels.

"MBoe" means thousand Boe.

"Mcf" means thousand cubic feet.

"MMBtu" means million Btu.

"MMcf" means million cubic feet.

"N/M" means not meaningful.

"NGL" or "NGLs" means natural gas liquids.

"NYMEX" means New York Mercantile Exchange.

"OPIS" means Oil Price Information Service.

"SEC" means United States Securities and Exchange Commission.

"Senior Credit Facility" means Devon's syndicated unsecured revolving line of credit.

"TSR" means total shareholder return.

"U.S." means United States of America.

"WTI" means West Texas Intermediate.

"/d" means per day.

"/gal" means per gallon.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This report includes “forward-looking statements” as defined by the SEC. Such statements are those concerning strategic plans, our expectations and objectives for future operations, as well as other future events or conditions, and are often identified by use of the words “expects,” “believes,” “will,” “would,” “could,” “forecasts,” “projections,” “estimates,” “plans,” “expectations,” “targets,” “opportunities,” “potential,” “anticipates,” “outlook” and other similar terminology. Such forward-looking statements are based on our examination of historical operating trends, the information used to prepare our December 31, 2015 reserve reports and other data in our possession or available from third parties. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond our control. Consequently, actual future results could differ materially from our expectations due to a number of factors, including, but not limited to:

- the volatility of oil, gas and NGL prices, including the currently depressed commodity price environment;
- uncertainties inherent in estimating oil, gas, and NGL reserves;
- the extent to which we are successful in acquiring and discovering additional reserves;
- the uncertainties, costs and risks involved in exploration and development activities;
- risks related to our hedging activities;
- counterparty credit risks;
- regulatory restrictions, compliance costs and other risks relating to governmental regulation, including with respect to environmental matters;
- risks relating to our indebtedness;
- our ability to successfully complete mergers, acquisitions and divestitures;
- the extent to which insurance covers any losses we may experience;
- our limited control over third parties who operate some of our oil and gas properties;
- midstream capacity constraints and potential interruptions in production;
- competition for leases, materials, people and capital;
- cyberattacks targeting our systems and infrastructure; and
- any of the other risks and uncertainties discussed in this report, our 2015 Annual Report on Form 10-K and our other filings with the SEC.

All subsequent written and oral forward-looking statements attributable to Devon, or persons acting on its behalf, are expressly qualified in their entirety by the cautionary statements above. We assume no duty to update or revise our forward-looking statements based on new information, future events or otherwise.

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Part I. Financial Information

Item 1. *Financial Statements*

DEVON ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED COMPREHENSIVE STATEMENTS OF EARNINGS

	Three Months Ended March 31,	
	2016	2015
	(Unaudited) (Millions, except per share amounts)	
Oil, gas and NGL sales	$ 825	$ 1,339
Oil, gas and NGL derivatives	33	294
Marketing and midstream revenues	1,268	1,632
Total operating revenues	2,126	3,265
Lease operating expenses	444	553
Marketing and midstream operating expenses	1,066	1,439
General and administrative expenses	194	251
Production and property taxes	78	108
Depreciation, depletion and amortization	542	930
Asset impairments	3,035	5,460
Restructuring and transaction costs	247	—
Other operating items	20	19
Total operating expenses	5,626	8,760
Operating loss	(3,500)	(5,495)
Net financing costs	164	117
Other nonoperating items	21	12
Loss before income taxes	(3,685)	(5,624)
Income tax benefit	(217)	(2,035)
Net loss	(3,468)	(3,589)
Net earnings (loss) attributable to noncontrolling interests	(412)	10
Net loss attributable to Devon	$ (3,056)	$ (3,599)
Net loss per share attributable to Devon:		
Basic	$ (6.44)	$ (8.88)
Diluted	$ (6.44)	$ (8.88)
Comprehensive loss:		
Net loss	$ (3,468)	$ (3,589)
Other comprehensive earnings (loss), net of tax:		
Foreign currency translation	23	(302)
Pension and postretirement plans	4	4
Other comprehensive earnings (loss), net of tax	27	(298)
Comprehensive loss	(3,441)	(3,887)
Comprehensive earnings (loss) attributable to noncontrolling interests	(412)	10
Comprehensive loss attributable to Devon	$ (3,029)	$ (3,897)

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
	(Unaudited) (Millions)	
Cash flows from operating activities:		
Net loss	$ (3,468)	$ (3,589)
Adjustments to reconcile net loss to net cash from operating activities:		
Depreciation, depletion and amortization	542	930
Asset impairments	3,035	5,460
Deferred income tax benefit	(207)	(2,047)
Derivatives and other financial instruments	194	(430)
Cash settlements on derivatives and financial instruments	(104)	719
Other noncash charges	(67)	225
Net change in working capital	198	215
Change in long-term other assets	53	141
Change in long-term other liabilities	(27)	24
Net cash from operating activities	149	1,648
Cash flows from investing activities:		
Capital expenditures	(749)	(1,717)
Acquisitions of property, equipment and businesses	(1,627)	(404)
Divestitures of property and equipment	18	2
Other	(1)	3
Net cash from investing activities	(2,359)	(2,116)
Cash flows from financing activities:		
Borrowings of long-term debt, net of issuance costs	396	957
Repayments of long-term debt	(259)	(487)
Net short-term debt borrowings (repayments)	(626)	15
Issuance of common stock	1,469	—
Sale of subsidiary units	—	569
Issuance of subsidiary units	727	2
Dividends paid on common stock	(125)	(99)
Distributions to noncontrolling interests	(73)	(53)
Other	—	(12)
Net cash from financing activities	1,509	892
Effect of exchange rate changes on cash	26	(46)
Net change in cash and cash equivalents	(675)	378
Cash and cash equivalents at beginning of period	2,310	1,480
Cash and cash equivalents at end of period	$ 1,635	$ 1,858

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	March 31, 2016 (Unaudited)	December 31, 2015
	(Millions, except share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,635	$ 2,310
Accounts receivable	1,023	1,105
Derivatives, at fair value	54	43
Income taxes receivable	24	147
Other current assets	214	416
Total current assets	2,950	4,021
Property and equipment, at cost:		
Oil and gas, based on full cost accounting:		
Subject to amortization	79,907	78,190
Not subject to amortization	3,901	2,584
Total oil and gas	83,808	80,774
Midstream and other	10,979	10,380
Total property and equipment, at cost	94,787	91,154
Less accumulated depreciation, depletion and amortization	(75,523)	(72,086)
Property and equipment, net	19,264	19,068
Goodwill	4,159	5,032
Other long-term assets	2,264	1,330
Total assets	$ 28,637	$ 29,451
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 640	$ 906
Revenues and royalties payable	705	763
Short-term debt	350	976
Other current liabilities	905	650
Total current liabilities	2,600	3,295
Long-term debt	12,195	12,056
Asset retirement obligations	1,491	1,370
Other long-term liabilities	1,112	853
Deferred income taxes	731	888
Stockholders' equity:		
Common stock, $0.10 par value. Authorized 1.0 billion shares; issued 524 million and 418 million shares in 2016 and 2015, respectively	52	42
Additional paid-in capital	7,501	4,996
Retained earnings (accumulated deficit)	(1,400)	1,781
Accumulated other comprehensive earnings	257	230
Total stockholders' equity attributable to Devon	6,410	7,049
Noncontrolling interests	4,098	3,940
Total stockholders' equity	10,508	10,989
Commitments and contingencies (Note 19)		
Total liabilities and stockholders' equity	$ 28,637	$ 29,451

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited)
(Millions)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Earnings	Treasury Stock	Noncontrolling Interests	Total Stockholders' Equity
Three Months Ended March 31, 2016								
Balance as of December 31, 2015	418	$ 42	$ 4,996	$ 1,781	$ 230	$ —	$ 3,940	$ 10,989
Net loss	—	—	—	(3,056)	—	—	(412)	(3,468)
Other comprehensive earnings, net of tax	—	—	—	—	27	—	—	27
Restricted stock grants, net of cancellations	3	—	—	—	—	—	—	—
Common stock repurchased	—	—	—	—	—	(12)	—	(12)
Common stock retired	—	—	(12)	—	—	12	—	—
Common stock dividends	—	—	—	(125)	—	—	—	(125)
Common stock issued	103	10	2,117	—	—	—	—	2,127
Share-based compensation	—	—	99	—	—	—	—	99
Subsidiary equity transactions	—	—	301	—	—	—	643	944
Distributions to noncontrolling interests	—	—	—	—	—	—	(73)	(73)
Balance as of March 31, 2016	524	$ 52	$ 7,501	$ (1,400)	$ 257	$ —	$ 4,098	$ 10,508
Three Months Ended March 31, 2015								
Balance as of December 31, 2014	409	$ 41	$ 4,088	$ 16,631	$ 779	$ —	$ 4,802	$ 26,341
Net earnings (loss)	—	—	—	(3,599)	—	—	10	(3,589)
Other comprehensive loss, net of tax	—	—	—	—	(298)	—	—	(298)
Restricted stock grants, net of cancellations	2	—	—	—	—	—	—	—
Common stock repurchased	—	—	—	—	—	(18)	—	(18)
Common stock retired	—	—	(18)	—	—	18	—	—
Common stock dividends	—	—	—	(99)	—	—	—	(99)
Share-based compensation	—	—	48	—	—	—	—	48
Share-based compensation tax benefits	—	—	1	—	—	—	—	1
Subsidiary equity transactions	—	—	423	—	—	—	263	686
Distributions to noncontrolling interests	—	—	—	—	—	—	(53)	(53)
Balance as of March 31, 2015	411	$ 41	$ 4,542	$ 12,933	$ 481	$ —	$ 5,022	$ 23,019

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Summary of Significant Accounting Policies

The accompanying unaudited interim financial statements and notes of Devon have been prepared pursuant to the rules and regulations of the SEC. Pursuant to such rules and regulations, certain disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the U.S. have been omitted. The accompanying unaudited interim financial statements and notes should be read in conjunction with the financial statements and notes included in Devon's 2015 Annual Report on Form 10-K.

The accompanying unaudited interim financial statements furnished in this report reflect all adjustments that are, in the opinion of management, necessary for a fair statement of Devon's results of operations and cash flows for the three-month periods ended March 31, 2016 and 2015, as applicable, and Devon's financial position as of March 31, 2016.

Recently Issued Accounting Standards

The FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* . This ASU will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition* and industry-specific guidance in Subtopic 932-605, *Extractive Activities – Oil and Gas – Revenue Recognition.* This ASU provides guidance concerning the recognition and measurement of revenue from contracts with customers. Its objective is to increase the usefulness of information in the financial statements regarding the nature, timing and uncertainty of revenues. The effective date for ASU 2014-09 was delayed through the issuance of ASU 2015-14, *Revenue from Contracts with Customers – Deferral of the Effective Date,* to annual and interim periods beginning in 2018, with early adoption permitted in 2017. The ASU is required to be adopted using either the retrospective transition method, which requires restating previously reported results or the cumulative effect (modified retrospective) transition method, which utilizes a cumulative-effort adjustment to retained earnings in the period of adoption to account for prior period effects rather than restating previously reported results. Devon intends to use the cumulative effect transition method and is evaluating the impact this ASU will have on its consolidated financial statements and related disclosures. Devon does not plan on early adopting.

The FASB issued ASU 2016-02, *Leases (Topic 842)* . This ASU will supersede the lease requirements in Topic 840, *Leases* . Its objective is to increase transparency and comparability among organizations. This ASU provides guidance requiring lessees to recognize most leases on their balance sheet. Lessor accounting does not significantly change from Topic 840, except for some changes made to align with Topic 606. This ASU is effective for Devon beginning January 1, 2019 and will be applied using a modified retrospective transition method, which requires applying the new guidance to leases that exist or are entered into after the beginning of the earliest period in the financial statements. Early adoption is permitted. Devon is evaluating the impact this ASU will have on its consolidated financial statements and related disclosures and does not plan on early adopting.

The FASB issued ASU 2016-09, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* . Its objective is to simplify several aspects of the accounting for share-based payments, including accounting for income taxes when awards vest or are settled, statutory withholding and accounting for forfeitures. Classification of these aspects on the statement of cash flows is also addressed. This ASU is effective for Devon beginning January 1, 2017. Devon is evaluating the impact this ASU will have on its consolidated financial statements and related disclosures and does not plan on early adopting.

2. Acquisitions and Divestitures

Devon Acquisitions

On January 7, 2016, Devon acquired approximately 80,000 net acres and assets in the STACK play for approximately $1.5 billion, subject to certain adjustments. Devon funded the acquisition with approximately $830 million of cash and $659 million of common equity shares. A preliminary allocation of the purchase price at March 31, 2016 was approximately $1.3 billion to unproved properties and approximately $200 million to proved properties.

EnLink Acquisitions

On January 7, 2016, EnLink acquired Anadarko Basin gathering and processing midstream assets, along with dedicated acreage service rights and service contracts, for approximately $1.5 billion, subject to certain adjustments. EnLink funded the acquisition with approximately $215 million of General Partner common units and approximately $800 million of cash, primarily funded with the issuance of EnLink preferred units. The remaining $500 million of the purchase price is to be paid within one year with the option to defer $250 million of the final payment 24 months from the close date. The first $250 million of undiscounted future installment payment is reported in other current liabilities in the accompanying consolidated balance sheets with the remaining $250 million payment reported in other long-term liabilities. The accretion of the discount is reported within net financing costs in the accompanying consolidated comprehensive statement of earnings. A preliminary allocation of the purchase price at March 31, 2016 was $1.0 billion to intangible assets and $420 million to property and equipment.

Devon Asset Divestitures

In February 2016, Devon announced a program to divest certain non-core assets. On April 15, 2016, Devon reached an agreement to sell its Mississippian assets for $200 million, subject to certain adjustments. The transaction is expected to close in the second quarter of 2016.

3. Derivative Financial Instruments

Objectives and Strategies

Devon periodically enters into derivative financial instruments with respect to a portion of its oil, gas and NGL production to hedge future prices received. Additionally, Devon and EnLink periodically enter into derivative financial instruments with respect to a portion of their oil, gas and NGL marketing activities. These commodity derivative financial instruments include financial price swaps, basis swaps, costless price collars and call options. Devon periodically enters into interest rate swaps to manage its exposure to interest rate volatility and foreign exchange forward contracts to manage its exposure to fluctuations in the U.S. and Canadian dollar exchange rates.

Devon does not intend to hold or issue derivative financial instruments for speculative trading purposes and has elected not to designate any of its derivative instruments for hedge accounting treatment.

As of December 31, 2015, Devon's other current assets in the accompanying consolidated balance sheet included $236 million of accrued settlements that it received in January 2016.

Counterparty Credit Risk

By using derivative financial instruments, Devon is exposed to credit risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. To mitigate this risk, the hedging instruments are placed with a number of counterparties whom Devon believes are acceptable credit risks. It is Devon's policy to enter into derivative contracts only with investment-grade rated counterparties deemed by management to be competent and competitive market makers. Additionally, Devon's derivative contracts generally contain provisions that provide for collateral payments, if Devon or its counterparty's credit rating falls below certain credit rating levels.

As of March 31, 2016 and December 31, 2015, Devon held $5 million and $75 million, respectively, of cash collateral which represented the estimated fair value of certain derivative positions in excess of Devon's credit guidelines. The collateral is reported in other current liabilities in the accompanying consolidated balance sheets.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

Commodity Derivatives

As of March 31, 2016, Devon had the following open oil derivative positions. The first table presents Devon's oil derivatives that settle against the average of the prompt month NYMEX WTI futures price. The second table presents Devon's oil derivatives that settle against the respective indices noted within the table.

	Price Swaps		Price Collars			Call Options Sold	
Period	Volume (Bbls/d)	Weighted Average Price ($/Bbl)	Volume (Bbls/d)	Weighted Average Floor Price ($/Bbl)	Weighted Average Ceiling Price ($/Bbl)	Volume (Bbls/d)	Weighted Average Price ($/Bbl)
Q2 2016	30,000	$39.24	73,000	$33.85	$41.59	18,500	$73.18
Q3 2016	—	$ —	37,000	$40.05	$45.05	18,500	$73.18
Q4 2016	—	$ —	—	$ —	$ —	18,500	$73.18

	Oil Basis Swaps		
Period	Index	Volume (Bbls/d)	Weighted Average Differential to WTI ($/Bbl)
Q2-Q4 2016	Western Canadian Select	37,985	$(13.36)
Q2-Q4 2016	West Texas Sour	5,000	$ (0.53)
Q2-Q4 2016	Midland Sweet	13,000	$ 0.25

As of March 31, 2016, Devon had the following open natural gas derivative positions. The first table presents Devon's natural gas derivatives that settle against the Inside FERC first of the month Henry Hub index. The second table presents Devon's natural gas derivatives that settle against the respective indices noted within the table.

	Price Swaps		Price Collars			Call Options Sold	
Period	Volume (MMBtu/d)	Weighted Average Price ($/MMBtu)	Volume (MMBtu/d)	Weighted Average Floor Price ($/MMBtu)	Weighted Average Ceiling Price ($/MMBtu)	Volume (MMBtu/d)	Weighted Average Price ($/MMBtu)
Q2 2016	481,400	$2.73	4,945	$1.77	$2.02	400,000	$2.80
Q3 2016	—	$ —	—	$ —	$ —	400,000	$2.80
Q4 2016	—	$ —	—	$ —	$ —	400,000	$2.80

	Natural Gas Basis Swaps		
Period	Index	Volume (MMBtu/d)	Weighted Average Differential to Henry Hub ($/MMBtu)
Q2-Q4 2016	Panhandle Eastern Pipe Line	175,000	$(0.34)
Q2-Q4 2016	El Paso Natural Gas	125,000	$(0.12)
Q2-Q4 2016	Houston Ship Channel	30,000	$ 0.11
Q2-Q4 2016	Transco Zone 4	70,000	$ 0.01
Q1-Q4 2017	Panhandle Eastern Pipe Line	150,000	$(0.34)
Q1-Q4 2017	El Paso Natural Gas	60,000	$(0.13)
Q1-Q4 2017	Houston Ship Channel	35,000	$ 0.06
Q1-Q4 2017	Transco Zone 4	205,000	$ 0.03

DEVON ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

As of March 31, 2016, EnLink had the following open derivative positions associated with gas processing and fractionation. EnLink's NGL derivative positions settle by purity product against the average of the prompt month OPIS Mont Belvieu, Texas index.

Period	Product	Volume (Total)	Weighted Average Price Paid	Weighted Average Price Received
Q2 2016-Q4 2016	Ethane	415 MBbls	$0.29/gal	Index
Q2 2016-Q1 2017	Propane	744 MBbls	Index	$0.74/gal

Interest Rate Derivatives

As of March 31, 2016, Devon had the following open interest rate derivative positions:

Notional (Millions)	Rate Received	Rate Paid	Expiration
$100	Three Month LIBOR	0.92%	December 2016
$100	1.76%	Three Month LIBOR	January 2019
$750	Three Month LIBOR	2.98%	December 2048 (1)

(1) Mandatory settlement in December 2018.

Foreign Currency Derivatives

As of March 31, 2016, Devon had the following open foreign currency derivative position:

Forward Contract				
Currency	Contract Type	CAD Notional (Millions)	Weighted Average Fixed Rate Received (CAD-USD)	Expiration
Canadian Dollar	Sell	$1,676	0.753	June 2016

Financial Statement Presentation

The following table presents the net gains and losses by derivative financial instrument type followed by the corresponding individual consolidated comprehensive statements of earnings caption.

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
	(Millions)	
Commodity derivatives:		
Oil, gas and NGL derivatives	$ 33	$294
Marketing and midstream revenues	—	2
Interest rate derivatives:		
Other nonoperating items	(72)	1
Foreign currency derivatives:		
Other nonoperating items	(155)	133
Net gains (losses) recognized	$(194)	$430

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The following table presents the derivative fair values by derivative financial instrument type followed by the corresponding individual consolidated balance sheet caption.

	March 31, 2016	December 31, 2015
	(Millions)	
Commodity derivative assets:		
Derivatives, at fair value	$ 53	$34
Other long-term assets	1	1
Interest rate derivative assets:		
Derivatives, at fair value	1	1
Other long-term assets	1	1
Foreign currency derivative assets:		
Derivatives, at fair value	—	8
Total derivative assets	$ 56	$45
Commodity derivative liabilities:		
Other current liabilities	$ 26	$14
Other long-term liabilities	2	4
Interest rate derivative liabilities:		
Other long-term liabilities	95	22
Foreign currency derivative liabilities:		
Other current liabilities	26	8
Total derivative liabilities	$149	$48

4. Share-Based Compensation

The following table presents the effects of share-based compensation included in Devon’s accompanying consolidated comprehensive statements of earnings. Gross G&A expense for the first three months of 2016 and 2015 includes $6 million and $12 million, respectively, of unit-based compensation related to grants made under EnLink’s long-term incentive plans.

The vesting for certain share-based awards was accelerated in 2016 in conjunction with the reduction of workforce described in Note 6. For the three months ended March 31, 2016, approximately $67 million of associated expense for these accelerated awards is included in restructuring and transaction costs in the accompanying consolidated comprehensive statements of earnings.

	Three Months Ended March 31,	
	2016	2015
	(Millions)	
Gross G&A for share-based compensation	$ 45	$ 68
Share-based compensation expense capitalized pursuant to the full cost method of accounting for oil and gas properties	$ 12	$ 15
Related income tax benefit	$ 9	$ 14

Under its approved long-term incentive plan, Devon granted share-based awards to certain employees in the first three months of 2016. The following table presents a summary of Devon’s unvested restricted stock awards and units, performance-based restricted stock awards and performance share units granted under the plan.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

	Restricted Stock Awards and Units		Performance-Based Restricted Stock Awards		Performance Share Units	
	Awards and Units	Weighted Average Grant-Date Fair Value	Awards	Weighted Average Grant-Date Fair Value	Units	Weighted Average Grant-Date Fair Value
	(Thousands, except fair value data)					
Unvested at 12/31/15	4,738	$62.49	434	$60.48	1,859	$76.17
Granted	4,261	$19.31	330	$19.22	1,388	$10.41
Vested	(1,167)	$62.55	(102)	$62.55	(602)	$63.37
Forfeited	(74)	$60.24	—	$ —	(7)	$81.67
Unvested at 3/31/16	7,758	$38.79	662	$39.57	2,638 (1)	$46.52

(1) A maximum of 5.3 million common shares could be awarded based upon Devon's final TSR ranking relative to Devon's peer group established under applicable award agreements.

The following table presents the assumptions related to the performance share units granted in 2016, as indicated in the previous summary table.

	2016		
Grant-date fair value	$9.24	—	$10.61
Risk-free interest rate			0.94%
Volatility factor			37.7%
Contractual term (years)			2.83

The following table presents a summary of the unrecognized compensation cost and the related weighted average recognition period associated with unvested awards and units as of March 31, 2016.

	Restricted Stock Awards and Units	Performance-Based Restricted Stock Awards	Performance Share Units
Unrecognized compensation cost (millions)	$180	$ 10	$ 40
Weighted average period for recognition (years)	2.7	2.8	1.9

EnLink Share-Based Awards

The following table presents a summary of the unrecognized compensation cost and the related weighted average recognition period associated with the General Partner's and EnLink's unvested restricted incentive units and performance units as of March 31, 2016.

	General Partner		EnLink	
	Restricted Incentive Units	Performance Units	Restricted Incentive Units	Performance Units
Unrecognized compensation cost (millions)	$ 22	$ 5	$ 22	$ 5
Weighted average period for recognition (years)	1.9	2.2	1.9	2.2

5. Asset Impairments

The following table presents the asset impairments recognized by Devon in the first three months of 2016 and 2015, respectively.

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
	(Millions)	
U.S. oil and gas assets	$ 1,608	$ 5,458
Canada oil and gas assets	554	—
EnLink goodwill	873	—
Other assets	—	2
Total asset impairments	$ 3,035	$ 5,460

Oil and Gas Impairments

Under the full cost method of accounting, capitalized costs of oil and gas properties, net of accumulated DD&A and deferred income taxes, may not exceed the full cost “ceiling” at the end of each quarter. The ceiling is calculated separately for each country and is based on the present value of estimated future net cash flows from proved oil and gas reserves, discounted at 10% per annum, net of related tax effects. Estimated future net cash flows are calculated using end-of-period costs and an unweighted arithmetic average of commodity prices in effect on the first day of each of the previous 12 months.

The oil and gas impairments resulted from declines in the U.S. and Canada full cost ceilings. The lower ceiling values resulted primarily from significant decreases in the 12-month average trailing prices for oil, bitumen, gas and NGLs, which significantly reduced proved reserves values and, to a lesser degree, proved reserves.

EnLink Goodwill Impairments

In the first quarter of 2016, Devon recognized goodwill impairments related to EnLink’s business. Additional information regarding the impairments is discussed in Note 13.

6. Restructuring and Transaction Costs

Reduction in Workforce

In the first quarter of 2016, Devon recognized $234 million of employee-related costs associated with a reduction in workforce that was made in response to the depressed commodity price environment. Of these employee-related costs, approximately $67 million resulted from accelerated vesting of share-based grants, which are noncash charges. Additionally, approximately $30 million resulted from estimated defined benefit settlements. These cash and noncash charges included estimates for employees released from service in the first quarter of 2016, as well as amounts based on the number of employees expected to be impacted by our non-core asset divestitures. Devon expects to complete these divestitures in 2016.

Transaction Costs

In the first quarter of 2016, Devon and EnLink recognized $13 million of transaction costs primarily associated with the closing of the acquisitions discussed in Note 2.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

Financial Statement Presentation

The following table summarizes Devon's restructuring liabilities.

	Other Current Liabilities	Other Long-term Liabilities	Total
		(Millions)	
Balance as of December 31, 2015	$ 13	$ 63	$ 76
Changes due to 2016 workforce reductions	149	—	149
Changes related to prior years' restructurings	2	(2)	—
Balance as of March 31, 2016	$ 164	$ 61	$225
Balance as of December 31, 2014	$ 13	$ 7	$ 20
Changes related to prior years' restructurings	(1)	(1)	(2)
Balance as of March 31, 2015	$ 12	$ 6	$ 18

7. Income Taxes

The following table presents Devon's total income tax benefit and a reconciliation of its effective income tax rate to the U.S. statutory income tax rate.

	Three Months Ended March 31,	
	2016	2015
Total income tax benefit (millions)	$ (217)	$ (2,035)
U.S. statutory income tax rate	(35%)	(35%)
Deferred tax asset valuation allowance	22%	0%
Non-deductible goodwill impairment	8%	0%
Taxation on Canadian operations	2%	0%
State income taxes	(1%)	(1%)
Other	(2%)	0%
Effective income tax rate	(6%)	(36%)

Devon estimates its annual effective income tax rate in recording its quarterly provision for income taxes in the various jurisdictions in which it operates. Statutory tax rate changes and other significant or unusual items are recognized as discrete items in the quarter in which they occur.

At December 31, 2015, Devon recorded a 100% valuation, or $967 million, allowance against the U.S. deferred tax assets that largely resulted from the full cost impairments recognized during 2015. In the first quarter of 2016, Devon provided an additional $808 million deferred tax valuation allowance to reflect its continued financial losses incurred largely by the additional full cost impairment.

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In the first quarter of 2016, EnLink recorded a goodwill impairment of approximately $873 million. This impairment is not deductible for purposes of calculating income tax and therefore has an impact on the effective tax rate.

Devon and its subsidiaries are subject to U.S. federal income tax as well as income or capital taxes in various state and foreign jurisdictions. Devon's tax reserves are related to tax years that may be subject to examination by the relevant taxing authority. Devon is under audit in the U.S. and various foreign jurisdictions as part of its normal course of business.

8. Net Loss Per Share Attributable to Devon

The following table reconciles net loss attributable to Devon and weighted-average common shares outstanding used in the calculations of basic and diluted net loss per share.

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
	(Millions, except per share amounts)	
Net loss:		
Net loss attributable to Devon	$ (3,056)	$ (3,599)
Attributable to participating securities	—	(1)
Basic and diluted loss	$ (3,056)	$ (3,600)
Common shares:		
Common shares outstanding - total	479	410
Attributable to participating securities	(5)	(4)
Common shares outstanding - basic	474	406
Dilutive effect of potential common shares issuable	—	—
Common shares outstanding - diluted	474	406
Net loss per share attributable to Devon:		
Basic	$ (6.44)	$ (8.88)
Diluted	$ (6.44)	$ (8.88)
Antidilutive options (1)	3	4

(1) Amounts represent options to purchase shares of Devon's common stock that are excluded from the diluted net loss per share calculations because the options are antidilutive.

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9. Other Comprehensive Earnings

Components of other comprehensive earnings consist of the following:

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
	(Millions)	
Foreign currency translation:		
Beginning accumulated foreign currency translation	$ 424	$ 983
Change in cumulative translation adjustment	51	(337)
Income tax benefit (expense)	(28)	35
Ending accumulated foreign currency translation	447	681
Pension and postretirement benefit plans:		
Beginning accumulated pension and postretirement benefits	(194)	(204)
Recognition of net actuarial loss and prior service cost in earnings (1)	6	6
Income tax expense	(2)	(2)
Ending accumulated pension and postretirement benefits	(190)	(200)
Accumulated other comprehensive earnings, net of tax	$ 257	$ 481

(1) These accumulated other comprehensive earnings components are included in the computation of net periodic benefit cost, which is a component of G&A on the accompanying consolidated comprehensive statements of earnings. See Note 16 for additional details.

10. Supplemental Information to Statements of Cash Flows

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
	(Millions)	
Net change in working capital accounts, net of assets and liabilities assumed:		
Accounts receivable	$ 146	$ 404
Other current assets	366	332
Accounts payable	(121)	(15)
Revenues and royalties payable	(101)	(236)
Other current liabilities	(92)	(270)
Net change in working capital	$ 198	$ 215
Interest paid (net of capitalized interest)	$ 115	$ 118
Income taxes paid (received)	$ (128)	$(414)

Devon's acquisition of certain STACK assets during the first three months of 2016 included the noncash issuance of Devon common stock. See Note 2 for additional details.

EnLink's acquisition of Anadarko Basin gathering and processing midstream assets during the first quarter of 2016 included noncash issuance of General Partner common units. See Note 2 for additional details. During the first three months of 2015, EnLink's acquisitions included $360 million of noncash equity issuance.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

11. Accounts Receivable

Components of accounts receivable include the following:

	March 31, 2016	December 31, 2015
	(Millions)	
Oil, gas and NGL sales	$ 350	$ 362
Joint interest billings	152	211
Marketing and midstream revenues	477	520
Other	62	30
Gross accounts receivable	1,041	1,123
Allowance for doubtful accounts	(18)	(18)
Net accounts receivable	$1,023	$1,105

12. Other Current Liabilities

Components of other current liabilities include the following:

	March 31, 2016	December 31, 2015
	(Millions)	
Installment payment - see Note 2	$229	$—
Accrued interest payable	179	149
Restructuring liabilities	164	13
Other	333	488
Other current liabilities	$905	$650

13. Goodwill and Other Intangible Assets

Goodwill

Devon performs an annual impairment test of goodwill at October 31, or more frequently if events or changes in circumstances indicate that the carrying value of a reporting unit may not be recoverable. Sustained weakness in the overall energy sector driven by low commodity prices, together with a decline in EnLink's unit price, caused a change in circumstances warranting an interim impairment test of EnLink's reporting units. In the first quarter of 2016, EnLink recorded a noncash goodwill impairment of $873 million. This consisted of a full impairment charge of $93 million related to its Crude and Condensate reporting unit and partial impairment to its Texas and General Partner reporting units of $473 million and $307 million, respectively.

Other Intangible Assets

The following table presents other intangible assets reported in other long-term assets in the accompanying consolidated balance sheets. See Note 2 for discussion of changes in other intangible assets resulting from EnLink acquisitions during the first three months of 2016.

	March 31, 2016	December 31, 2015
	(Millions)	
Customer relationships	$ 1,779	$ 745
Accumulated amortization	(82)	(55)
Net intangibles	$ 1,697	$ 690

DEVON ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

The weighted-average amortization period for other intangible assets is 14 years. Amortization expense for intangibles was approximately $28 million and $12 million for the three months ended March 31, 2016 and 2015, respectively. The remaining aggregate amortization expense is estimated to be $115 million each of the next five years.

14. Debt

A summary of debt is as follows:

	March 31, 2016	December 31, 2015
	(Millions)	
Devon debt		
Commercial paper	$ —	$ 626
Debentures and notes	9,425	9,425
Net discount on debentures and notes	(28)	(28)
Debt issuance costs	(56)	(57)
Total Devon debt	9,341	9,966
EnLink debt		
Credit facilities	552	414
Debentures and notes	2,663	2,663
Net premium on debentures and notes	12	13
Debt issuance costs	(23)	(24)
Total EnLink debt	3,204	3,066
Total debt	12,545	13,032
Less amount classified as short-term debt (1)	350	976
Total long-term debt	$12,195	$12,056

(1) Short-term debt as of March 31, 2016 consists of $350 million of floating rate due on December 15, 2016. Short-term debt as of December 31, 2015 consists of $626 million of commercial paper and $350 million floating rate due on December 15, 2016.

As of January 1, 2016, Devon adopted ASU 2015-03, *Interest – Imputation of Interest (Topic 835): Simplifying the Presentation of Debt Issuance Costs.* This ASU requires debt issuance costs related to a recognized debt liability to be presented on the balance sheet as a direct deduction from the carrying amount of that debt liability rather than as an asset. As a result of the adoption, Devon reclassified unamortized debt issuance costs of $81 million as of December 31, 2015 from other long-term assets to a reduction of long-term debt on the consolidated balance sheets.

Commercial Paper

During the three months ended March 31, 2016, Devon reduced commercial paper borrowings by $626 million. As of March 31, 2016, Devon had no outstanding commercial paper borrowings.

Credit Lines

Devon has a $3.0 billion Senior Credit Facility. As of March 31, 2016, there were $43 million in outstanding letters of credit and no borrowings under the Senior Credit Facility. The Senior Credit Facility contains only one material financial covenant. This covenant requires Devon’s ratio of total funded debt to total capitalization, as defined in the credit agreement, to be no greater than 65%. Under the terms of the credit agreement, total capitalization is adjusted to add back noncash financial write-downs such as full cost ceiling impairments or goodwill impairments. As of March 31, 2016, Devon was in compliance with this covenant with a debt-to-capitalization ratio of 22.6%.

EnLink Debt

All of EnLink’s and the General Partner’s debt is non-recourse to Devon.

EnLink has a $1.5 billion unsecured revolving credit facility. As of March 31, 2016, there were $11 million in outstanding letters of credit and $543 million in outstanding borrowings at an average rate of 2.23% under the $1.5 billion credit facility. The General Partner has a $250 million secured revolving credit facility. As of March 31, 2016, the General Partner had $9 million in outstanding borrowings at an average rate of 4.25%. EnLink and the General Partner were in compliance with all financial covenants in their respective credit facilities as of March 31, 2016.

15. Asset Retirement Obligations

The following table presents the changes in Devon’s asset retirement obligations.

	Three Months Ended March 31,	
	2016	2015
	(Millions)	
Asset retirement obligations as of beginning of period	$1,414	$1,399
Liabilities incurred and assumed through acquisitions	12	23
Liabilities settled and divested	(17)	(25)
Revision of estimated obligation	77	62
Accretion expense on discounted obligation	19	19
Foreign currency translation adjustment	29	(53)
Asset retirement obligations as of end of period	1,534	1,425
Less current portion	43	52
Asset retirement obligations, long-term	$1,491	$1,373

DEVON ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

16. Retirement Plans

The following table presents the components of net periodic benefit cost for Devon's pension benefit plans. There was no net periodic benefit cost for postretirement benefit plans for all periods presented below.

	Pension Benefits Three Months Ended March 31, 2016	2015
	(Millions)	
Service cost	$ 6	$ 8
Interest cost	12	13
Expected return on plan assets	(13)	(15)
Amortization of prior service cost (1)	1	1
Net actuarial loss (1)	5	5
Net periodic benefit cost (2)	$ 11	$ 12

(1) These net periodic benefit costs were reclassified out of other comprehensive earnings in the current period.
(2) Net periodic benefit cost is a component of G&A in the accompanying consolidated comprehensive statements of earnings.

17. Stockholders' Equity

Common Stock Issued

In January 2016, Devon issued approximately 23 million shares of common stock in conjunction with the STACK asset acquisition discussed in Note 2.

In February 2016, Devon issued 79 million shares of common stock to the public, inclusive of 10 million shares sold as part of the underwriters' option. Net proceeds from the offering were $1.5 billion.

Dividends

Devon paid common stock dividends of $125 million and $99 million in the first three months of 2016 and 2015, respectively. In the first quarter of 2016, Devon announced a decrease in the quarterly cash dividend rate from $0.24 per share to $0.06 per share beginning in the second quarter of 2016.

18. Noncontrolling Interests

Subsidiary Equity Transactions

As a result of EnLink's transactions discussed in Note 2, Devon's ownership interest in EnLink decreased from 28% at December 31, 2015 to 25% at March 31, 2016, excluding the interest held by the General Partner. Additionally, Devon's ownership in the General Partner decreased from 70% to 64% during the same time period as a result of the transaction discussed in Note 2. The net gains and losses and related income taxes resulting from these transactions have been recorded as an adjustment to equity, with the change in ownership reflected as an adjustment to noncontrolling interests.

In March 2015, Devon conducted an underwritten secondary public offering of 23 million common units representing limited partner interests in EnLink, raising net proceeds of $569 million.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

Distributions to Noncontrolling Interests

EnLink and the General Partner distributed $73 million and $53 million to non-Devon unitholders during the first three months of 2016 and 2015, respectively.

19. Commitments and Contingencies

Devon is party to various legal actions arising in the normal course of business. Matters that are probable of unfavorable outcome to Devon and which can be reasonably estimated are accrued. Such accruals are based on information known about the matters, Devon's estimates of the outcomes of such matters and its experience in contesting, litigating and settling similar matters. None of the actions are believed by management to involve future amounts that would be material to Devon's financial position or results of operations after consideration of recorded accruals. Actual amounts could differ materially from management's estimates.

Royalty Matters

Numerous oil and natural gas producers and related parties, including Devon, have been named in various lawsuits alleging royalty underpayments. The suits allege that the producers and related parties used below-market prices, made improper deductions, used improper measurement techniques and entered into gas purchase and processing arrangements with affiliates that resulted in underpayment of royalties in connection with oil, natural gas and NGLs produced and sold. Devon is also involved in governmental agency proceedings and is subject to related contracts and regulatory controls in the ordinary course of business, some that may lead to additional royalty claims. Devon does not currently believe that it is subject to material exposure with respect to such royalty matters.

Environmental Matters

Devon is subject to certain laws and regulations relating to environmental remediation activities associated with past operations, such as the Comprehensive Environmental Response, Compensation, and Liability Act and similar state statutes. In response to liabilities associated with these activities, loss accruals primarily consist of estimated uninsured remediation costs. Devon's monetary exposure for environmental matters is not expected to be material.

Other Matters

Devon is involved in other various routine legal proceedings incidental to its business. However, to Devon's knowledge, there were no other material pending legal proceedings to which Devon is a party or to which any of its property is subject.

20. Fair Value Measurements

The following table provides carrying value and fair value measurement information for certain of Devon's financial assets and liabilities. The carrying values of cash, accounts receivable, other current receivables, accounts payable, other current payables and accrued expenses included in the accompanying consolidated balance sheets approximated fair value at March 31, 2016 and December 31, 2015. Therefore, such financial assets and liabilities are not presented in the following table. Additionally, information regarding the fair values of oil and gas assets, goodwill and other intangible assets is provided in Note 5 and Note 13.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

	Carrying Amount	Total Fair Value	Fair Value Measurements Using: Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
			(Millions)		
March 31, 2016 assets (liabilities):					
Cash equivalents	$ 1,121	$ 1,121	$1,026	$ 95	$—
Commodity derivatives	$ 54	$ 54	$ —	$ 54	$—
Commodity derivatives	$ (28)	$ (28)	$ —	$ (28)	$—
Interest rate derivatives	$ 2	$ 2	$ —	$ 2	$—
Interest rate derivatives	$ (95)	$ (95)	$ —	$ (95)	$—
Foreign currency derivatives	$ (26)	$ (26)	$ —	$ (26)	$—
Debt	$(12,545)	$(11,217)	$ —	$(11,217)	$—
Capital lease obligations	$ (13)	$ (13)	$ —	$ (13)	$—
December 31, 2015 assets (liabilities):					
Cash equivalents	$ 1,871	$ 1,871	$1,471	$ 400	$—
Commodity derivatives	$ 35	$ 35	$ —	$ 35	$—
Commodity derivatives	$ (18)	$ (18)	$ —	$ (18)	$—
Interest rate derivatives	$ 2	$ 2	$ —	$ 2	$—
Interest rate derivatives	$ (22)	$ (22)	$ —	$ (22)	$—
Foreign currency derivatives	$ 8	$ 8	$ —	$ 8	$—
Foreign currency derivatives	$ (8)	$ (8)	$ —	$ (8)	$—
Debt	$(13,032)	$(11,927)	$ —	$(11,927)	$—
Capital lease obligations	$ (17)	$ (16)	$ —	$ (16)	$—

The following methods and assumptions were used to estimate the fair values in the table above.

Level 1 Fair Value Measurements

Cash equivalents – Amounts consist primarily of money market investments. The fair value approximates the carrying value.

Level 2 Fair Value Measurements

Cash equivalents – Amounts consist primarily of commercial paper and Canadian agency and provincial securities investments. The fair value approximates the carrying value.

Commodity, interest rate and foreign currency derivatives – The fair values of commodity, interest rate and foreign currency derivatives are estimated using internal discounted cash flow calculations based upon forward curves and data obtained from independent third parties for contracts with similar terms or data obtained from counterparties to the agreements.

Debt - Devon’s debt instruments do not actively trade in an established market. The fair values of its debt are estimated based on rates available for debt with similar terms and maturity. The fair values of commercial paper and credit facility balances are the carrying values.

Capital lease obligations – The fair value was calculated using inputs from third-party banks.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)

(Unaudited)

21. Segment Information

Devon manages its operations through distinct operating segments, which are defined primarily by geographic areas. For financial reporting purposes, Devon aggregates its U.S. operating segments into one reporting segment due to the similar nature of the businesses. However, Devon's Canadian exploration and production operating segment is reported as a separate reporting segment primarily due to the significant differences between the U.S. and Canadian regulatory environments. Devon's U.S. and Canadian segments are both primarily engaged in oil and gas exploration and production activities.

Devon considers EnLink, combined with the General Partner, to be an operating segment that is distinct from the U.S. and Canadian operating segments. EnLink's operations consist of midstream assets and operations located across the U.S. Additionally, EnLink has a management team that is primarily responsible for capital and resource allocation decisions. Therefore, EnLink is presented as a separate reporting segment.

	U.S.	Canada	EnLink	Eliminations	Total
			(Millions)		
Three Months Ended March 31, 2016:					
Revenues from external customers	$ 1,302	$ 117	$ 707	$ —	$ 2,126
Intersegment revenues	$ —	$ —	$ 183	$(183)	$ —
Depreciation, depletion and amortization	$ 311	$ 109	$ 122	$ —	$ 542
Interest expense	$ 107	$ 34	$ 44	$ (20)	$ 165
Asset impairments	$ 1,608	$ 554	$ 873	$ —	$ 3,035
Restructuring and transaction costs	$ 236	$ 6	$ 5	$ —	$ 247
Loss before income taxes	$ (2,065)	$ (749)	$ (871)	$ —	$ (3,685)
Income tax benefit	$ (5)	$ (208)	$ (4)	$ —	$ (217)
Net loss	$ (2,060)	$ (541)	$ (867)	$ —	$ (3,468)
Net loss attributable to noncontrolling interests	$ —	$ —	$ (412)	$ —	$ (412)
Net loss attributable to Devon	$ (2,060)	$ (541)	$ (455)	$ —	$ (3,056)
Property and equipment, net	$ 8,901	$4,246	$ 6,117	$ —	$19,264
Total assets	$13,717	$4,933	$10,066	$ (79)	$28,637
Capital expenditures, including acquisitions	$ 1,893	$ 81	$ 545	$ —	$ 2,519
Three Months Ended March 31, 2015:					
Revenues from external customers	$ 2,260	$ 221	$ 784	$ —	$ 3,265
Intersegment revenues	$ —	$ —	$ 156	$(156)	$ —
Depreciation, depletion and amortization	$ 712	$ 127	$ 91	$ —	$ 930
Interest expense	$ 87	$ 25	$ 19	$ (12)	$ 119
Asset impairments	$ 5,460	$ —	$ —	$ —	$ 5,460
Earnings (loss) before income taxes	$ (5,488)	$ (172)	$ 36	$ —	$ (5,624)
Income tax expense (benefit)	$ (1,993)	$ (53)	$ 11	$ —	$ (2,035)
Net earnings (loss)	$ (3,495)	$ (119)	$ 25	$ —	$ (3,589)
Net earnings attributable to noncontrolling interests	$ —	$ —	$ 10	$ —	$ 10
Net earnings (loss) attributable to Devon	$ (3,495)	$ (119)	$ 15	$ —	$ (3,599)
Property and equipment, net	$19,718	$6,281	$ 5,456	$ —	$31,455
Total assets	$26,751	$7,618	$11,007	$(102)	$45,274
Capital expenditures, including acquisitions	$ 1,344	$ 224	$ 514	$ —	$ 2,082

Item 2. ***Management's Discussion and Analysis of Financial Condition and Results of Operations***

The following discussion and analysis addresses material changes in our results of operations and capital resources and uses for the three-month period ended March 31, 2016 compared to the three-month period ended March 31, 2015 and in our financial condition and liquidity since December 31, 2015. For information regarding our critical accounting policies and estimates, see our 2015 Annual Report on Form 10-K under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Overview of 2016 Results

Key components of our financial performance are summarized below.

	Three Months Ended March 31, (4)		
	2016	2015	Change
	(Millions, except per share amounts and production)		
Net loss attributable to Devon	$ (3,056)	$ (3,599)	+15%
Net loss per share attributable to Devon	$ (6.44)	$ (8.88)	+27%
Core earnings (loss) attributable to Devon (1)	$ (249)	$ 89	- 380%
Core earnings (loss) per share attributable to Devon (1)	$ (0.53)	$ 0.22	- 341%
Core production (MBoe/d) (2)	581	558	+4%
Total production (MBoe/d)	685	685	+0%
Realized price per Boe (3)	$ 13.23	$ 21.74	- 39%
Operating cash flow	$ 149	$ 1,648	-91%
Capitalized costs, including acquisitions	$ 2,519	$ 2,082	+21%
Shareholder and noncontrolling interests distributions	$ 198	$ 152	+30%
Cash and cash equivalents	$ 1,635	$ 1,858	- 12%
Total debt	$ 12,545	$ 11,680	+7%

(1) Core earnings (loss) and core earnings (loss) per share attributable to Devon are financial measures not prepared in accordance with GAAP. For a description of core earnings (loss) and core earnings (loss) per share attributable to Devon, as well as reconciliations to the comparable GAAP measures, see "Non-GAAP Measures" in this Item 2.
(2) Core production is comprised of production in our key operating areas as outlined in our "Oil, Gas and NGL Production" table in this Item 2.
(3) Excludes any impact of oil, gas and NGL derivatives.
(4) Except for balance sheet amounts, which are presented as of March 31.

During the first three months of 2016, the sustained low commodity price environment remained a challenge for us and the upstream energy sector. In spite of this, we are committed to executing on our strategy and positioning our company for long-term success. To that end, we have taken financial and operational steps during the first quarter of 2016 to make prudent investments and upgrades to our portfolio of assets, improve our capital efficiency, further optimize our production operations to minimize production declines and control costs and protect our balance sheet. Specifically, we had several key achievements:

- Expanded our position in the STACK by acquiring approximately 80,000 net acres and assets for $1.5 billion.
- Reduced exploratory and development capital investment by over 50% as compared to the fourth quarter of 2015.
- Raised our 2016 full year production target 3%.
- Reduced LOE by $35 million or 7% as compared to the fourth quarter of 2015, and lowered our 2016 operating cost outlook by $50 million through on-going cost reduction initiatives.
- Reduced gross G&A by 5% as compared to the fourth quarter of 2015, primarily through cost reduction initiatives resulting from our February 2016 workforce reduction, the full benefits of which have yet to be realized. The reductions are expected to decrease gross G&A costs by approximately $400 million to $500 million on an annualized basis.
- Raised net proceeds of $1.5 billion in an offering of our common stock.
- Exited the first quarter of 2016 with $4.6 billion of liquidity, consisting of $1.6 billion of cash and $3.0 billion of capacity on our Senior Credit Facility. We have managed our debt maturity schedule to provide maximum flexibility with near-term liquidity; we have no major long-term debt maturities until December 2018.

- Advanced our program to divest $2 billion to $3 billion of non-core assets across our portfolio, including entering into an agreement subsequent to quarter-end to sell our Mississippian assets for $200 million.

In conjunction with the workforce reduction and transactions discussed above, we incurred $247 million of restructuring and transaction costs in the first three months of 2016. Additionally, we recognized $3.0 billion of asset impairments related to the continued depressed prices for commodities. While these impairments significantly impacted our earnings, they had no effect on our operating cash flow or debt covenants.

As we look ahead to the remainder of 2016, we expect commodity pricing to continue to be challenged. However, we have both oil and natural gas derivatives in place to provide some protection against downside price risk. As of April 29, 2016, we had derivative contracts for the last nine months of 2016 that protected 73,000 Bbls/d of our oil production at $38.85 and 224,000 MMBtu/d of our natural gas production at $2.70. We are also balancing capital requirements with cash flow and enhancing our financial strength by utilizing asset sale proceeds to reduce debt. This financial strategy positions us to take advantage of our resource plays when prices incentivize higher activity levels.

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Results of Operations

Oil, Gas and NGL Production

	Three Months Ended March 31,		
	2016	2015	Change
Oil (MBbls/d)			
Barnett Shale	1	1	- 33%
Delaware Basin	38	33	+13%
Eagle Ford	59	75	- 22%
Rockies Oil	17	12	+39%
STACK	14	6	+134%
Heavy Oil	25	27	- 6%
Core assets	154	154	- 0%
Other assets (1)	30	41	- 26%
Total	184	195	- 6%
Bitumen (MBbls/d)			
Heavy Oil	101	77	+31%
Gas (MMcf/d)			
Barnett Shale	749	827	- 9%
Delaware Basin	84	66	+27%
Eagle Ford	144	143	+1%
Rockies Oil	32	38	- 15%
STACK	286	230	+25%
Heavy Oil	15	28	- 46%
Core assets	1,310	1,332	- 2%
Other assets (1)	271	313	- 14%
Total	1,581	1,645	- 4%
NGLs (MBbls/d)			
Barnett Shale	42	51	- 17%
Delaware Basin	12	8	+45%
Eagle Ford	24	23	+5%
STACK	29	22	+30%
Rockies Oil	1	1	+57%
Core assets	108	105	+3%
Other assets (1)	29	34	- 15%
Total	137	139	- 1%
Combined (MBoe/d)			
Barnett Shale	168	191	- 12%
Delaware Basin	63	52	+21%
Eagle Ford	107	122	- 12%
Rockies Oil	23	19	+22%
STACK	91	65	+39%
Heavy Oil	129	109	+19%
Core assets	581	558	+4%
Other assets (1)	104	127	- 18%
Total	685	685	+0%

(1) Other assets are located primarily in the Midland Basin, east Texas, Granite Wash and Mississippian-Lime areas.

Oil, Gas and NGL Pricing

	Three Months Ended March 31,		
	2016 (1)	2015 (1)	Change
Oil (per Bbl)			
U.S.	$ 28.74	$ 42.80	- 33%
Canada	$ 13.23	$ 29.03	- 54%
Total	$ 26.58	$ 40.87	- 35%
Bitumen (per Bbl)			
Canada	$ 8.16	$ 20.67	- 61%
Gas (per Mcf)			
U.S.	$ 1.53	$ 2.45	- 38%
NGLs (per Bbl)			
U.S.	$ 6.84	$ 9.40	- 27%
Combined (per Boe)			
U.S.	$ 14.22	$ 21.66	- 34%
Canada	$ 8.95	$ 22.16	- 60%
Total	$ 13.23	$ 21.74	- 39%

(1) Prices presented exclude any effects of oil, gas and NGL derivatives.

Commodity Sales

The volume and price changes in the tables above caused the following changes to our oil, gas and NGL sales between the three months ended March 31, 2016 and 2015.

	Three Months Ended March 31,				
	Oil	Bitumen	Gas	NGLs	Total
	(Millions)				
2015 sales	$ 717	$ 143	$ 362	$ 117	$ 1,339
Change due to volumes	(33)	47	(10)	—	4
Change due to prices	(239)	(115)	(132)	(32)	(518)
2016 sales	$ 445	$ 75	$ 220	$ 85	$ 825

Oil, gas and NGL sales slightly increased due to a change in production volumes during the first quarter of 2016. While continued development of our Delaware Basin and Rockies assets and our enhanced positions in the STACK drove production increases, these increases were more than offset by reduced completion activity in the Eagle Ford and in our non-core properties. Additionally, our bitumen production increased primarily due to Jackfish 3 reaching nameplate capacity in the third quarter of 2015.

Oil, gas and NGL sales decreased in the first quarter of 2016 due to significant price decreases for all commodities. The decrease in oil and bitumen sales resulted from lower average WTI crude oil index prices, which were 31% lower than the first quarter of 2015. The decreases in gas and NGL sales were due to lower North American regional index prices upon which our gas sales are based and lower NGL prices at the Mont Belvieu, Texas hub.

Oil, Gas and NGL Derivatives

A summary of our open commodity derivative positions is included in Note 3 to the financial statements included in “Part I. Financial Information – Item 1. Financial Statements” of this report. The following tables provide financial information associated with our oil, gas and NGL hedges. The first table presents the cash settlements and fair value gains and losses recognized as components of our revenues. The subsequent tables present our oil, gas and NGL prices with, and without, the effects of the cash settlements. The prices do not include the effects of fair value gains and losses.

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
	(Millions)	
Cash settlements:		
Oil derivatives	$ —	$ 517
Gas derivatives	19	76
Total cash settlements	19	593
Gains (losses) on fair value changes:		
Oil derivatives	(2)	(281)
Gas derivatives	16	(18)
Total gains (losses) on fair value changes	14	(299)
Oil, gas and NGL derivatives	$ 33	$ 294

	Three Months Ended March 31, 2016				
	Oil (Per Bbl)	Bitumen (Per Bbl)	Gas (Per Mcf)	NGLs (Per Bbl)	Boe (Per Boe)
Realized price without hedges	$ 26.58	$ 8.16	$ 1.53	$ 6.84	$ 13.23
Cash settlements of hedges	—	—	0.13	—	0.30
Realized price, including cash settlements	$ 26.58	$ 8.16	$ 1.66	$ 6.84	$ 13.53

	Three Months Ended March 31, 2015				
	Oil (Per Bbl)	Bitumen (Per Bbl)	Gas (Per Mcf)	NGLs (Per Bbl)	Boe (Per Boe)
Realized price without hedges	$ 40.87	$ 20.67	$ 2.45	$ 9.40	$ 21.74
Cash settlements of hedges	29.42	—	0.51	—	9.62
Realized price, including cash settlements	$ 70.29	$ 20.67	$ 2.96	$ 9.40	$ 31.36

Cash settlements as presented in the tables above represent realized gains or losses related to various commodity derivatives. In addition to cash settlements, we also recognize fair value changes on our oil, gas and NGL derivative instruments in each reporting period. The changes in fair value resulted from new positions and settlements that occurred during each period, as well as the relationships between contract prices and the associated forward curves. Including the cash settlements discussed above, our oil, gas and NGL derivatives generated net gains in the first three months of 2016 and 2015.

Marketing and Midstream Revenues and Operating Expenses

	Three Months Ended March 31, 2016	2015	Change
	(Millions)		
Operating revenues	$ 1,268	$ 1,632	- 22%
Product purchases	(979)	(1,348)	- 26%
Operations and maintenance expenses	(87)	(91)	- 4%
Operating profit	$ 202	$ 193	+4%
Devon	$ (15)	$ (3)	N/M
EnLink	217	196	+11%
Total operating profit	$ 202	$ 193	+4%

The overall increase in marketing and midstream margin was primarily due to EnLink acquisition activity in 2015 and the first quarter of 2016. This increase was partially offset by a decline in throughput volumes related to gas processing and transmission activities and lower margins on Devon's downstream marketing commitments.

Lease Operating Expenses

	Three Months Ended March 31, 2016	2015	Change
	(Millions, except per Boe amounts)		
LOE:			
U.S.	$ 343	$ 410	- 16%
Canada	101	143	- 29%
Total	$ 444	$ 553	- 20%
LOE per Boe:			
U.S.	$6.78	$ 7.91	- 14%
Canada	$8.60	$14.62	- 41%
Total	$7.13	$ 8.97	- 21%

LOE and LOE per Boe decreased during the first quarter of 2016 primarily due to our well optimization and cost reduction initiatives and changes in the Canadian to U.S. foreign exchange rate. Our cost reduction initiatives have been primarily focused on reducing costs associated with water disposal, power and fuel, compression and workovers.

General and Administrative Expenses

	Three Months Ended March 31, 2016	2015	Change
	(Millions)		
Gross G&A	$292	$375	- 22%
Capitalized G&A	(73)	(94)	- 22%
Reimbursed G&A	(25)	(30)	- 16%
Net G&A	$194	$251	- 23%

Gross G&A and net G&A decreased during the first quarter of 2016 largely due to lower Devon employee costs resulting from recent workforce reductions, as discussed in Note 6 in "Part I. Financial Information – Item 1. Financial Statements," and other cost reduction initiatives. Capitalized G&A has decreased as a result of the workforce reduction and lower capital spending.

Production and Property Taxes

	Three Months Ended March 31, 2016	2015	Change
	(Millions)		
Production	$ 33	$ 53	- 37%
Property and other	45	55	- 20%
Production and property taxes	$ 78	$ 108	- 28%
Percentage of oil, gas and NGL sales:			
Production	4.0%	3.9%	+2%
Property and other	5.4%	4.2%	+29%
Total	9.4%	8.1%	+16%

Our absolute production and property taxes decreased during the first quarter of 2016 primarily due to a decrease in our U.S. revenues, on which the majority of our production taxes are assessed. Production and property taxes as a percentage of oil, gas and NGL sales increased during the first quarter of 2016 primarily due to ad valorem and other taxes that do not change in direct correlation with the decline in oil, gas and NGL sales.

Depreciation, Depletion and Amortization

	Three Months Ended March 31,		
	2016	2015	Change
	(Millions, except per Boe amounts)		
DD&A:			
Oil and gas properties	$ 378	$ 800	- 53%
Other assets	164	130	+26%
Total	$ 542	$ 930	- 42%
DD&A per Boe:			
Oil and gas properties	$6.07	$13.00	- 53%

DD&A from our oil and gas properties decreased in the first quarter of 2016 compared to the first quarter of 2015 largely due to lower DD&A rates, as a result of the oil and gas asset impairments recognized in 2015.

Asset Impairments

During the first three months of 2016 and 2015, we recognized asset impairments of $3.0 billion and $5.5 billion, respectively. For further discussion, see Note 5 in “Part I. Financial Information – Item 1. Financial Statements” of this report.

Restructuring and Transaction Costs

During the first three months of 2016, we recognized restructuring costs of $234 million as a result of the workforce reduction announced in February 2016, which was driven by our cost reduction initiatives and anticipated divestitures of non-core properties. These restructuring costs represent estimated employee-related cash and non-cash severance costs afforded under the terms of our severance policy. When estimating these costs, certain assumptions were made with respect to the timing of employee terminations and the number of employees that may receive employment offers from the purchasers of our divested assets. We estimate that a 10% change in the number of employees receiving employment offers would impact our estimate by approximately $4 million. See Note 6 in “Part I. Financial Information – Item 1. Financial Statements” of this report.

During the first three months of 2016, we recognized $13 million of transaction costs primarily associated with the closing of the acquisitions discussed in Note 2 in “Part I. Financial Information – Item 1. Financial Statements” of this report.

Net Financing Costs

	Three Months Ended March 31,		
	2016	2015	Change
	(Millions)		
Interest based on debt outstanding	$ 161	$ 130	+24%
Capitalized interest	(17)	(14)	+24%
Interest accretion on deferred installment	12	—	N/M
Other fees and expenses	9	3	+147%
Interest expense	165	119	+38%
Interest income	(1)	(2)	- 56%
Net financing costs	$ 164	$ 117	+40%

Net financing costs increased during the first quarter of 2016 primarily due to an increase in Devon and EnLink fixed-rate borrowings and accretion of future installment payments related to EnLink acquisition activity in the first quarter of 2016. For further discussion of the accretion of future installment payments, see Note 2 in "Part I. Financial Information – Item 1. Financial Statements."

Income Taxes

	Three Months Ended March 31,	
	2016	2015
Total income tax benefit (millions)	$ (217)	$ (2,035)
Effective income tax rate	(6)%	(36)%

For further discussion of our income tax benefit, see Note 7 in "Part I. Financial Information – Item 1. Financial Statements."

Capital Resources, Uses and Liquidity

Sources and Uses of Cash

The following table presents the major changes in our cash and cash equivalents for the three months ended March 31, 2016 and 2015.

	Devon		EnLink		Consolidated	
	2016	2015	2016	2015	2016	2015
	(Millions)					
Operating cash flow	$ (45)	$ 1,478	$ 194	$ 170	$ 149	$ 1,648
Issuance of common stock	1,469	—	—	—	1,469	—
Capital expenditures	(614)	(1,556)	(135)	(161)	(749)	(1,717)
Acquisitions of property, equipment and businesses	(830)	(92)	(797)	(312)	(1,627)	(404)
Debt activity, net	(627)	15	138	470	(489)	485
Shareholder and noncontrolling interests distributions	(125)	(99)	(73)	(53)	(198)	(152)
EnLink and General Partner distributions	66	72	(66)	(72)	—	—
Issuance of subsidiary units	—	—	727	2	727	2
Sale of subsidiary units	—	569	—	—	—	569
Effect of exchange rate and other	43	(50)	—	(3)	43	(53)
Net change in cash and cash equivalents	$ (663)	$ 337	$ (12)	$ 41	$ (675)	$ 378
Cash and cash equivalents at end of period	$ 1,629	$ 1,748	$ 6	$ 110	$ 1,635	$ 1,858

Operating Cash Flow

Net cash provided by operating activities decreased 91% primarily due to lower commodity prices and the impact of cash settlements associated with our commodity derivatives during 2015.

Excluding payments made for acquisitions, our consolidated operating cash flow funded 20% and 96% of our capital expenditures during the first three months of 2016 and 2015, respectively. In 2016, leveraging our liquidity, we also used cash balances and proceeds from our common stock offering to fund our acquisitions and capital expenditures.

Issuance of Common Stock

In February 2016, we issued 79 million shares of our common stock to the public, inclusive of 10 million shares sold as part of the underwriters' option. Net proceeds from the offering were approximately $1.5 billion.

Capital Expenditures and Acquisitions of Property, Equipment and Businesses

The amounts in the table below reflects cash payments for capital expenditures, including cash paid for capital expenditures incurred in prior periods.

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
	(Millions)	
Oil and gas	$ 604	$ 1,501
Midstream	3	17
Corporate and other	7	38
Devon capital expenditures	614	1,556
EnLink capital expenditures	135	161
Total capital expenditures	$ 749	$ 1,717
Devon acquisitions	$ 830	$ 92
EnLink acquisitions	797	312
Total acquisitions	$ 1,627	$ 404

Capital expenditures consist of amounts related to our oil and gas exploration and development operations, midstream operations, other corporate activities and EnLink growth and maintenance activities. The vast majority of Devon's capital expenditures are for the acquisition, drilling and development of oil and gas properties. In response to lower commodity prices, Devon's 2016 capital program is designed to be substantially lower than 2015, evidenced by a 60% decrease in exploration and development costs from the first quarter of 2015 as well as a 35% decrease from the fourth quarter of 2015 to the first quarter of 2016.

Capital expenditures for Devon's and Enlink's midstream operations are primarily for the construction and expansion of oil and gas gathering facilities and pipelines. Midstream capital expenditures are largely impacted by oil and gas drilling and development activities.

Acquisition capital for the first quarter of 2016 primarily consisted of Devon's acquisition of assets in the STACK play for approximately $1.5 billion and EnLink's acquisition of Anadarko Basin gathering and processing midstream assets for $1.5 billion. Approximately $830 million and $800 million, respectively, was paid in cash at the closings with the remainder of the purchase prices funded with equity and debt. For additional information, see Note 2 in "Part I. Financial Information – Item 1. Financial Statements" in this report.

Debt Activity, Net

During the first three months of 2016, we reduced our debt by $489 million. The decrease was primarily due to reducing our commercial paper balances by $626 million partially offset by EnLink's increased credit facility borrowings to fund acquisitions and growth capital expenditures.

During the first three months of 2015, our net debt borrowings increased $485 million. The increase was primarily due to EnLink borrowings made to fund acquisitions.

Shareholder and Noncontrolling Interests Distributions

The following table summarizes our common stock dividends during the first three months of 2016 and 2015. In February 2016, we announced that our quarterly dividend will be decreased to $0.06 per share starting in the second quarter of 2016.

	Three Months Ended March 31,			
	2016		2015	
	Amount	Per Share	Amount	Per Share
	(Millions, except per share amounts)			
Dividends	$ 125	$ 0.24	$ 99	$ 0.24

EnLink and the General Partner distributed $73 million and $53 million to non-Devon unitholders during the first three months of 2016 and 2015, respectively.

EnLink and General Partner Distributions

Devon received $66 million and $72 million in distributions from EnLink and the General Partner during the first three months of 2016 and 2015, respectively.

Issuance of Subsidiary Units

In February 2016, as part of its acquisition of Anadarko Basin gathering and processing midstream assets, EnLink issued 50 million preferred units in a private placement generating proceeds of approximately $725 million. Also in conjunction with this acquisition, the General Partner issued 15.6 million of common units with an aggregate value of $215 million.

Sale of Subsidiary Units

In March 2015, we conducted an underwritten secondary public offering of 23 million common units representing limited partner interests in EnLink, raising proceeds of $569 million, net of underwriting discount.

Liquidity

Historically, our primary sources of capital and liquidity have been our operating cash flow and cash on hand. Additionally, we maintain a commercial paper program, supported by our revolving line of credit, which can be accessed as needed to supplement operating cash flow and cash balances. Available sources of capital and liquidity include, among others, debt and equity securities that can be issued pursuant to our shelf registration statement filed with the SEC, as well as the sale of a portion of our common units representing interests in our investment in EnLink and the General Partner. Another major source of future liquidity will be proceeds from our planned asset divestiture program. We estimate the combination of these sources of capital will continue to be adequate to fund future capital expenditures, debt repayments and other contractual commitments.

Operating Cash Flow

Our operating cash flow is sensitive to many variables, the most volatile of which are the prices of the oil, bitumen, gas and NGLs we produce and sell. Our consolidated operating cash flow decreased 91% in the first three months of 2016 compared to the first three months of 2015 as a result of the significant decreases in commodity prices, as well as the protected prices in our hedge contracts. In spite of this decline, we expect operating cash flow to continue to be a key source of liquidity as we adjust our capital program in response to lower commodity prices. Additionally, we anticipate utilizing divestiture proceeds and our credit availability to provide additional liquidity as needed.

To mitigate some of the risk inherent in prices, we utilize various derivative financial instruments to protect a portion of our production against downside price risk. As of April 29, 2016, we had derivative contracts for the last nine months of 2016 as presented below.

	Oil Commodity Hedges							
	Price Swaps		Price Collars				Call Options Sold	
Period	Volume (Bbls/d)	Weighted Average Price ($/Bbl)	Volume (Bbls/d)	Weighted Average Floor Price ($/Bbl)	Weighted Average Ceiling Price ($/Bbl)		Volume (Bbls/d)	Weighted Average Price ($/Bbl)
Q2 2016	30,000	$ 39.24	73,000	$ 33.85	$ 41.59		18,500	$ 60.99
Q3 2016	15,000	$ 45.63	65,000	$ 40.37	$ 46.91		18,500	$ 55.00
Q4 2016	15,000	$ 46.16	20,000	$ 40.85	$ 50.85		18,500	$ 55.00

	Natural Gas Commodity Hedges						
	Price Swaps		Price Collars			Call Options Sold	
Period	Volume (MMBtu/d)	Weighted Average Price ($/MMBtu)	Volume (MMBtu/d)	Weighted Average Floor Price ($/MMBtu)	Weighted Average Ceiling Price ($/MMBtu)	Volume (MMBtu/d)	Weighted Average Price ($/MMBtu)
Q2 2016	481,400	$ 2.73	24,725	$ 1.97	$ 2.30	400,000	$ 2.80
Q3 2016	100,000	$ 2.84	—	$ —	$ —	400,000	$ 2.80
Q4 2016	—	$ —	70,000	$ 2.56	$ 2.76	400,000	$ 2.80

Capital Expenditures

Excluding acquisitions and EnLink, our 2016 capital expenditures are expected to range from $1.2 billion to $1.4 billion, including $900 million to $1.1 billion for our oil and gas capital program, and are forecasted to decline throughout the year. As such, our capital expenditures excluding acquisitions and EnLink were $454 million in the first quarter of 2016, are forecasted to range from $325 million to $405 million in the second quarter of 2016 and are forecasted to range from $200 million to $300 million in the third and fourth quarters of 2016.

Credit Availability

As of March 31, 2016, we had $3.0 billion of available capacity under the Senior Credit Facility, net of letters of credit outstanding. This credit facility supports our $3.0 billion commercial paper program. At March 31, 2016, we had no outstanding commercial paper borrowings.

The Senior Credit Facility contains only one material financial covenant. This covenant requires us to maintain a ratio of total funded debt to total capitalization, as defined in the credit agreement, to be no greater than 65%. As of March 31, 2016, we were in compliance with this covenant with a debt-to-capitalization ratio of 22.6%.

EnLink has a $1.5 billion unsecured revolving credit facility, and the General Partner has a $250 million secured revolving credit facility. As of March 31, 2016, there were $11 million in outstanding letters of credit and $543 million outstanding borrowings under the $1.5 billion credit facility, and the General Partner had $9 million in outstanding borrowings under the $250 million credit facility.

Divestiture Program

In 2016, we expect a significant source of liquidity to be generated from the divestitures of non-core assets across our portfolio. In February 2016, we announced a program to divest our interest in Access Pipeline and certain non-core upstream assets targeting total proceeds of $2 billion to $3 billion. On April 15, 2016, we reached an agreement to sell our Mississippian assets for $200 million. The transaction is expected to close in the second quarter of 2016 and will bring our total divestiture proceeds to approximately $300 million. The divestiture process for our remaining non-core assets is ongoing, with the marketing of our interest in Access Pipeline and efforts to monetize the remaining upstream assets in the U.S. continuing to progress. Overall, we remain on track to complete our non-core divestitures by the end of 2016.

EnLink Capital Resources and Expenditures

In January 2016, EnLink acquired additional gathering and processing midstream assets in the Anadarko Basin for approximately $1.5 billion in cash and equity, subject to certain adjustments. The first installment of $1.02 billion for the acquisition was paid at closing, and the final installment of $500 million is due no later than the first anniversary of the closing date, with the option to defer $250 million of the final installment up to 24 months following the closing date.

Debt Ratings

We receive debt ratings from the major ratings agencies in the U.S. In determining our debt ratings, the agencies consider a number of qualitative and quantitative items including, but not limited to, commodity pricing levels, our liquidity, asset quality, reserve mix, debt levels, cost structure, planned asset sales, near-term and long-term production growth opportunities and capital allocation challenges. In February 2016, our credit rating was revised by Standard & Poor's Financial Services from BBB+ with a negative outlook to BBB with a stable outlook. Moody's Investor Service revised our senior unsecured ratings from Baa1 with a credit watch negative outlook to Ba2 with a negative outlook. Fitch Ratings affirmed our BBB+ rating but revised our outlook from stable to negative.

There are no "rating triggers" in any of our or EnLink's contractual debt obligations that would accelerate scheduled maturities should our debt rating fall below a specified level. However, these downgrades could adversely impact our and EnLink's interest rate on any credit facility borrowings and the ability to economically access debt markets in the future.

Critical Accounting Estimates

Full Cost Method of Accounting and Proved Reserves

We perform a full cost ceiling impairment test each quarter for our U.S. and Canadian oil and gas properties. The ceiling tests for the first quarter of 2016 resulted in recognizing ceiling impairments on our U.S. and Canadian properties totaling $1.6 billion and $554 million, respectively.

Depending on the relationship between our capitalized costs and calculated full cost ceiling at the time of the most recent ceiling test performed, uncertain future prices limit our ability to predict and measure potential future full cost impairments. However, because the ceiling test computation uses a 12-month trailing price to determine future cash flows, we can typically predict when circumstances will result in future impairments that are material, particularly in the next one to two quarters. However, due to the nature of estimating future cash flows, measuring any potential impairments is more difficult.

Based on prices from the last nine months of the trailing 12-month average and the short-term pricing outlook for the second quarter of 2016, we expect to recognize additional U.S. and Canadian full cost impairments in the second quarter of 2016. While difficult to measure, we estimate that the second quarter 2016 impairments will approximate $2 billion to $3 billion in the aggregate. Our full cost impairments have no effect on liquidity or capital resources. However, they adversely affect our results of operations in the period recognized.

Goodwill

We test goodwill for impairment annually at October 31, or more frequently if events or changes in circumstances dictate that the carrying value of goodwill may not be recoverable. Sustained weakness in the overall energy sector driven by low commodity prices, together with a decline in the EnLink unit price, caused a change in circumstances warranting an interim impairment test for EnLink's reporting units.

The goodwill assessment is performed at the reporting unit level and primarily utilizes a discounted cash flow analysis, supplemented by a market approach analysis in the assessment. Key assumptions in the analysis include the use of an appropriate discount rate, terminal year multiples and estimated future cash flows, including volume forecasts and estimated operating and G&A costs. In estimating cash flows, current and historical market information, among other factors, are incorporated.

Using the fair value approaches described above, it was determined that the estimated fair value of EnLink's Texas, General Partner and Crude and Condensate reporting units were less than their carrying amounts, primarily due to changes in assumptions related to commodity prices and discount rates. Through the analysis, a goodwill impairment loss of $473 million, $307 million and $93 million for EnLink's Texas, General Partner and Crude and Condensate reporting units, respectively, was recognized in the first quarter of 2016.

As of March 31, 2016, the goodwill allocated to the Crude and Condensate reporting unit was fully impaired. Other than those mentioned above, no other goodwill impairment was identified or recorded for the remaining reporting units as a result of the interim goodwill assessment, as their estimated fair values were in excess of carrying values. However, the fair value of EnLink's Texas reporting unit is not substantially in excess of its carrying value. The fair value of the Texas reporting unit approximates its carrying value after considering the impairment loss above, and as of March 31, 2016, $230 million of goodwill remains allocated to the Texas reporting unit.

Our impairment determinations involved significant assumptions and judgments, as discussed above. Differing assumptions regarding any of these inputs could have a significant effect on the various valuations. If actual future results are not consistent with these assumptions and estimates, or the assumptions and estimates change due to new information, we may be exposed to additional goodwill impairment charges, which would be recognized in the period in which we would determine that the carrying value exceeds fair value. We would expect that a prolonged or sustained period of lower commodity prices would adversely affect the estimate of future operating results, which could result in future goodwill impairments for other reporting units due to the potential impact on the cash flows of our operations.

The goodwill impairment has no effect on liquidity or capital resources. However, it adversely affects our results of operations in the period recognized.

Income Taxes

The amount of income taxes recorded requires interpretations of complex rules and regulations of federal, state, provincial and foreign tax jurisdictions. We recognize current tax expense based on estimated taxable income for the current period and the applicable statutory tax rates. We routinely assess potential uncertain tax positions and, if required, estimate and establish accruals for such amounts. We have recognized deferred tax assets and liabilities for temporary differences, operating losses and other tax carryforwards. We routinely assess our deferred tax assets and reduce such assets by a valuation allowance if we deem it is more likely than not that some portion or all of the deferred tax assets will not be realized. At December 31, 2015, we recorded a 100% valuation allowance against the U.S. deferred tax assets that largely resulted from the full cost impairments recognized during 2015. As a result of the continued financial losses in the first quarter of 2016, we continued to have a 100% valuation allowance against our U.S. deferred tax assets as of March 31, 2016.

The accruals for deferred tax assets and liabilities are often based on assumptions that are subject to a significant amount of judgment by management. These assumptions and judgments are reviewed and adjusted as facts and circumstances change. Material changes to our income tax accruals may occur in the future based on the progress of ongoing audits, changes in legislation or resolution of other pending matters.

Non-GAAP Measures

We make reference to "core earnings (loss) attributable to Devon" and "core earnings (loss) per share attributable to Devon" in "Overview of 2016 Results" in this Item 2. that are not required by or presented in accordance with GAAP. These non-GAAP measures should not be considered as alternatives to GAAP measures. Core earnings (loss) attributable to Devon, as well as the per share amount, represent net earnings excluding certain noncash or non-recurring items that are typically excluded by securities analysts in their published estimates of our financial results. Our non-GAAP measures are typically used as a quarterly performance measure. Amounts excluded for the first quarter of 2016 relate to derivatives and financial instrument fair value changes, noncash asset impairments (including an impairment of goodwill), deferred tax asset valuation allowance and restructuring and transaction costs. Amounts excluded for the first quarter of 2015 relate to derivatives and financial instrument fair value changes and noncash asset impairments. We believe these non-GAAP measures facilitate comparisons of our performance to earnings estimates published by securities analysts. We also believe these non-GAAP measures can facilitate comparisons of our performance between periods and to the performance of our peers.

Below are reconciliations of our core earnings (loss) and core earnings (loss) per share attributable to Devon to their comparable GAAP measures.

	Three Months Ended March 31, 2016	Three Months Ended March 31, 2015
	(Millions, except per share amounts)	
Net loss attributable to Devon (GAAP)	$ (3,056)	$ (3,599)
Adjustments (net of taxes and noncontrolling interests):		
Derivatives and other financial instruments	(58)	(163)
Cash settlements on derivatives and financial instruments	17	384
Noncash effect of derivatives and financial instruments	(41)	221
Asset impairments	1,884	3,467
Deferred tax asset valuation allowance	808	—
Restructuring and transaction costs	156	—
Core earnings (loss) attributable to Devon (non-GAAP)	$ (249)	$ 89
Net loss per share attributable to Devon (GAAP)	$ (6.44)	$ (8.88)
Adjustments (net of taxes and noncontrolling interests):		
Derivatives and other financial instruments	(0.13)	(0.39)
Cash settlements on derivatives and financial instruments	0.03	0.94
Noncash effect of derivatives and financial instruments	(0.10)	0.55
Asset impairments	3.98	8.55
Deferred tax asset valuation allowance	1.70	—
Restructuring and transaction costs	0.33	—
Core earnings (loss) per share attributable to Devon (non-GAAP)	$ (0.53)	$ 0.22

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Commodity Price Risk

We have commodity derivatives that pertain to a portion of our production for the last nine months of 2016, as well as 2017. The key terms to our open oil, gas and NGL derivative financial instruments as of March 31, 2016 are presented in Note 3 in "Part I. Financial Information – Item 1. Financial Statements" in this report.

The fair values of our commodity derivatives are largely determined by estimates of the forward curves of the relevant price indices. At March 31, 2016, a 10% change in the forward curves associated with our commodity derivative instruments would have changed our net asset positions by the following amounts:

	10% Increase	10% Decrease
	(Millions)	
Gain (loss):		
Gas derivatives	$ (12)	$ 9
Oil derivatives	$ (28)	$ 25
NGL derivatives	$ (3)	$ 3
Processing and fractionation derivatives	$ (3)	$ 3

Interest Rate Risk

At March 31, 2016, we had total debt of $12.5 billion. Of this amount, $11.6 billion bears fixed interest rates averaging 5.4%, and approximately $900 million is comprised of floating rate debt with interest rates averaging 1.8%.

As of March 31, 2016, we had open interest rate swap positions that are presented in Note 3 in "Part I. Financial Information – Item 1. Financial Statements" in this report. The fair values of our interest rate swaps are largely determined by estimates of the forward curves of the 3-month LIBOR rate. A 10% change in these forward curves would not have materially impacted our balance sheet at March 31, 2016.

Foreign Currency Risk

Our net assets, net earnings and cash flows from our Canadian subsidiaries are based on the U.S. dollar equivalent of such amounts measured in the Canadian dollar functional currency. Assets and liabilities of the Canadian subsidiaries are translated to U.S. dollars using the applicable exchange rate as of the end of a reporting period. Revenues, expenses and cash flow are translated using an average exchange rate during the reporting period. A 10% unfavorable change in the Canadian-to-U.S. dollar exchange rate would not have materially impacted our March 31, 2016 balance sheet.

Our non-Canadian foreign subsidiaries have a U.S. dollar functional currency. However, some of our subsidiaries hold Canadian-dollar cash and engage in intercompany loans with Canadian subsidiaries that are based in Canadian dollars. The value of the Canadian-dollar cash and intercompany loans increases or decreases from the remeasurement of the cash and loans into the U.S. dollar functional currency. Additionally, at March 31, 2016, we held foreign currency exchange forward contracts to hedge exposures to fluctuations in exchange rates on certain of our Canadian-dollar cash and intercompany loans. The increase or decrease in the value of the forward contracts is offset by the increase or decrease to the U.S. dollar equivalent of the Canadian-dollar cash and intercompany loans. At March 31, 2016, a 10% change in the foreign exchange rate would have changed the fair value of our foreign currency derivative positions by the following amounts:

	As of March 31, 2016
	(Millions)
Gain (loss):	
10% increase	$ 117
10% decrease	$ (143)

Item 4. *Controls and Procedures*

Disclosure Controls and Procedures

We have established disclosure controls and procedures to ensure that material information relating to Devon, including its consolidated subsidiaries, is made known to the officers who certify Devon's financial reports and to other members of senior management and the Board of Directors.

Based on their evaluation, our principal executive and principal financial officers have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective as of March 31, 2016 to ensure that the information required to be disclosed by Devon in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. Other Information

Item 1. *Legal Proceedings*

There have been no material changes to the information included in Item 3. "Legal Proceedings" in our 2015 Annual Report on Form 10-K.

Item 1A. *Risk Factors*

There have been no material changes to the information included in Item 1A. "Risk Factors" in our 2015 Annual Report on Form 10-K.

Item 2. *Unregistered Sales of Equity Securities and Use of Proceeds*

The following table provides information regarding purchases of our common stock that were made by us during the first quarter of 2016.

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share
January 1 – January 31	5,263	$27.32
February 1 – February 29	536,354	$21.63
March 1 – March 31	3,723	$26.32
Total	545,340	$21.85

(1) Share repurchases represent shares received by us from employees and directors for the payment of personal income tax withholding on vesting of awards and exercises of stock options.

Under the Devon Plan, eligible employees may purchase shares of our common stock through an investment in the Devon Stock Fund, which is administered by an independent trustee. Eligible employees purchased approximately 43,900 shares of our common stock in the first quarter of 2016, at then-prevailing stock prices, that they held through their ownership in the Stock Fund. We acquired the shares of our common stock sold under the Devon Plan through open-market purchases.

Similarly, eligible Canadian employees may purchase shares of our common stock through an investment in the Canadian Plan, which is administered by an independent trustee, Sun Life Assurance Company of Canada. Shares sold under the Canadian Plan were acquired through open-market purchases. These shares and any interest in the Canadian Plan were offered and sold in reliance on the exemptions for offers and sales of securities made outside of the U.S., including under Regulation S for offers and sales of securities to employees pursuant to an employee benefit plan established and administered in accordance with the law of a country other than the U.S. In the first quarter of 2016, there were approximately 7,100 shares purchased by Canadian employees.

Item 3. *Defaults Upon Senior Securities*

Not applicable.

Item 4. *Mine Safety Disclosures*

Not applicable.

Item 5. *Other Information*

Not applicable.

Item 6. *Exhibits*

Exhibit Number	Description
3.1	Bylaws of Devon, as amended and restated on January 26, 2016 (incorporated by reference to Exhibit 3.1 of Devon's Form 8-K filed January 27, 2016; File No. 001-32318).
10.1	Underwriting Agreement, dated February 17, 2016, by and between Devon and Goldman, Sachs & Co., as the representative of the several underwriters named therein (incorporated by reference to Exhibit 1.1 to Devon's Form 8-K filed February 22, 2016; File No. 001-32318).
10.2	Form of Notice of Grant of Performance Restricted Stock Award and Award Agreement under the 2015 Long-Term Incentive Plan between Devon and executive officers for performance based restricted stock awarded.*
10.3	Form of Notice of Grant of Performance Share Unit Award and Award Agreement under the 2015 Long-Term Incentive Plan between Devon and executive officers for performance based restricted share units awarded.*
31.1	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Compensatory plans or arrangements

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SIGNATURES

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

DEVON ENERGY CORPORATION

Date: May 4, 2016

/s/ Jeremy D. Humphers

Jeremy D. Humphers

Senior Vice President and Chief Accounting Officer

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INDEX TO EXHIBITS

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101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document

* Compensatory plans or arrangements

Exhibit 10.2

devon

NOTICE OF GRANT OF PERFORMANCE RESTRICTED STOCK AWARD AND AWARD AGREEMENT

Participant Name

Grant Date: **Grant Date**
Grant Type: PSA

Effective **Grant Date** , you have been granted a Performance Restricted Stock Award of **Number of Shares Granted** shares of Devon Energy Corporation (the "Company") Common Stock (the "Award") under the Company's 2015 Long-Term Incentive Plan. None of the shares subject to this Award shall vest, and this Award shall terminate in its entirety, should the Company fail to attain the Performance Goal specified in attached Schedule A for the Performance Period, except as specifically provided otherwise in the Award Agreement. Except as otherwise provided in the Award Agreement, if such Performance Goal is attained and certified, then the Award will vest in four (4) separate installments as follows: (a) twenty-five percent (25%) of the Award will vest upon the completion of the Performance Period and the Committee's certification of the attainment of the Performance Goal, and Vested Stock will be released as soon as practicable following the Committee's certification of the Company's attainment of the Performance Goal, and (b) the balance of the Award will vest, and Vested Stock will be released, in a series of three (3) successive equal annual installments on the second, third and fourth anniversaries of the Date of Grant.

By accepting this agreement online, you and the Company agree that this award is granted under and governed by the terms and conditions of the Company's 2015 Long-Term Incentive Plan, and the Award Agreement, both of which are attached and made a part of this document.

DEVON ENERGY CORPORATION
2015 LONG-TERM INCENTIVE PLAN
PERFORMANCE RESTRICTED STOCK AWARD AGREEMENT

THIS PERFORMANCE RESTRICTED STOCK AWARD AGREEMENT (the “Award Agreement”) is entered into as of **Grant Date** (the “Date of Grant”), by and between Devon Energy Corporation, a Delaware corporation (the “Company”) and **Participant Name** (the “Participant”).

W I T N E S S E T H:

WHEREAS, the Devon Energy Corporation 2015 Long-Term Incentive Plan (the “Plan”) permits the grant of Restricted Stock that vests based upon performance standards (referred to herein as a “Performance Restricted Stock”) to employees, officers and non-employee directors of the Company and its Subsidiaries and Affiliated Entities, in accordance with the terms and provisions of the Plan; and

WHEREAS, in connection with the Participant’s employment with the Company, the Company desires to award to the Participant **Number of Shares Granted** shares of the Company’s Common Stock under the Plan subject to the terms and conditions of this Award Agreement and the Plan; and

NOW, THEREFORE, in consideration of the premises and the mutual promises and covenants herein contained, the Participant and the Company agree as follows:

1. The Plan. The Plan, a copy of which is attached hereto, is hereby incorporated by reference herein and made a part hereof for all purposes, and when taken with this Award Agreement shall govern the rights of the Participant and the Company with respect to the Award.

2. Grant of Award. The Company hereby grants to the Participant an award (the “Award”) of **Number of Shares Granted** shares of the Company’s Common Stock subject to the restrictions placed thereon pursuant to the terms of this Award Agreement (“Performance Restricted Stock”), on the terms and conditions set forth herein and in the Plan.

3. Terms of Award.

(a) Escrow of Shares. A certificate or book-entry registration representing the Performance Restricted Stock shall be issued in the name of the Participant and shall be escrowed with the Secretary subject to removal of the restrictions placed thereon or forfeiture pursuant to the terms of this Award Agreement.

(b) Vesting. 25% of the shares of the Performance Restricted Stock are scheduled to vest on each of the first four anniversary dates of the Date of Grant (each, a “Vesting Date”), provided that the Performance Goals described in subsection (ii) below are satisfied, unless provided otherwise in this Section 3. If the Participant’s Date of Termination has not occurred as of a Vesting Date, then the Participant shall be entitled, subject to the applicable provisions of the Plan and this Award Agreement having been satisfied, to receive on or within a reasonable time after the applicable Vesting Date the shares scheduled to vest as of the applicable Vesting Date. The portion of the Performance Restricted Stock that has vested pursuant to the terms of this Award Agreement shall be deemed “Vested Stock.”

Vesting Schedule

If the Performance Goal (specified in attached Schedule A) for the Performance Period (specified in attached Schedule A) is attained and certified, then the Award will vest in four (4) separate installments as follows:

(i) 25% of the Award will vest upon the completion of the Performance Period and the Vested Stock will be released within a reasonable time following the Committee's certification of the Company's attainment of the Performance Goal, and the Vested Stock will be expected to be released;

(ii) 25% of the Award will vest, and the Vested Stock will be released, on the second anniversary of the Date of Grant;

(iii) 25% of the Award will vest, and the Vested Stock will be released, on the third anniversary of the Date of Grant; and

(iv) the remaining 25% of the Award will vest, and the Vested Stock will be released, on the fourth anniversary of the Date of Grant.

Notwithstanding the foregoing, no fractional shares of Common Stock shall be issued pursuant to this Award, and any fractional share resulting from any calculation made in accordance with the terms of this Award Agreement shall be aggregated, and any such aggregated shares will vest, and the Vested Stock will be released, at the time provided in (3)(b)(iv) above.

Except as otherwise provided in Section 3(c) below, none of the shares subject to this Award shall vest should the Company fail to attain the Performance Goal for the Performance Period. Except to the extent that an Award has previously vested pursuant to Section 3(c) below, this Award shall terminate in its entirety and shall not vest should the Company fail to attain the Performance Goal for the Performance Period.

(c) Change in Control Event or Death or Disability .

(i) Notwithstanding any provision to the contrary in this Award Agreement, a Participant shall become fully and immediately vested in the Award in the event of the Participant's death, without regard to attainment or certification of the Performance Goal. In the event of the Participant's death the Vested Stock will be released within a reasonable time thereafter.

(ii) Notwithstanding any provision to the contrary in this Award Agreement, upon a Change in Control Event, the Performance Goal shall be deemed to have been satisfied, without regard to attainment or certification of the Performance Goal, and the Award will continue to vest in accordance with this Section 3 based on the Participant's continued employment with the Company.

(iii) If the Participant's Date of Termination occurs by reason of disability, the Committee may, in its sole and absolute discretion, elect to vest all or a portion of the unvested Performance Restricted Stock upon the Participant's Date of Termination and the Vested Stock will be released within a reasonable time thereafter.

(d) Termination of Employment. The Participant shall forfeit the unvested portion of the Award (including the underlying Performance Restricted Stock and Accrued Dividends) upon the occurrence of the Participant's Date of Termination unless the Performance Goal is attained and certified and the Award becomes vested under the circumstances described below.

(i) If the Participant's Date of Termination occurs under circumstances in which the Participant is entitled to a severance payment from the Company, a Subsidiary, or an Affiliated Entity under (1) the Participant's employment agreement or severance agreement with the Company due to a termination of the Participant's employment by the Company without "cause" or by the Participant for "good reason" in accordance with the Participant's employment agreement or severance agreement or (2) the Devon Energy Corporation Severance Plan, and if the Participant signs and returns to the Company a release of claims against the Company in a form prepared by the Company (the "Release") and such Release becomes effective, the Performance Restricted Stock shall be treated as vested as of the Participant's Date of Termination, provided the Date of Termination occurs after the Performance Goal is attained and certified, and the Performance Restricted Stock shall be released within a reasonable time thereafter. If the Participant's Date of Termination occurs before the Performance Goal is attained and certified, the Performance Restricted Stock shall be treated as vested as of the certification of attainment of the Performance Goal, and the Performance Restricted Stock, if vested, shall be released within a reasonable time thereafter. Notwithstanding the foregoing, if the Performance Goal is not attained and certified, or if Participant fails to sign and return the Release to the Company or revokes the Release prior to the date the Release becomes effective, then the unvested shares of Performance Restricted Stock subject to this Award Agreement shall not vest pursuant to this Section 3(d)(i) and shall be forfeited.

(ii) If a Participant's Date of Termination occurs on or after the Participant becomes Post-Retirement Vesting Eligible, or by reason of other special circumstances (as determined by the Committee), and the Committee determines, in its sole and absolute discretion, that the Performance Restricted Stock shall continue to vest following the Participant's Date of Termination, the Performance Restricted Stock shall continue to vest after the Participant's Date of Termination in accordance with the Vesting Schedule in Section 3(b) above and the Performance Restricted Stock shall be released within a reasonable time after the applicable Vesting Date; provided that, if the Participant is Post-Retirement Vesting Eligible, the Participant shall, subject to the satisfaction of the conditions in Section 16, be eligible to vest in accordance with the Vesting Schedule above in Section 3(b), in the installments of Performance Restricted Stock that remain unvested on the Date of Termination as follows:

Age at Retirement	Percentage of each Unvested Installment of Performance Restricted Stock Eligible to be Earned by the Participant
54 and earlier	0%
55	60%
56	65%
57	70%
58	75%
59	80%
60 and beyond	100%

(e) Voting Rights and Dividends. The Participant shall not have voting rights attributable to the shares of Performance Restricted Stock prior to the completion of the Performance Period and the Committee's certification of the Company's attainment of the Performance Goal. Any dividends declared and paid by the Company with respect to shares of Performance Restricted Stock prior to the Committee's certification of the attainment of the Performance Goal (the "Accrued Dividends") shall not be paid to the Participant until and unless the Committee certifies the attainment of the Performance Goal. Any such Accrued Dividends shall be forfeited if the Award is terminated because the Performance Goal is not attained. If the Performance Goal is attained and certified, the Accrued Dividends shall be paid to the Participant within a reasonable time thereafter and any dividends or other distributions (in cash or other property, but excluding extraordinary dividends) that are declared and/or paid with respect to the shares of Performance Restricted Stock shall be paid to the Participant on a current basis. Any extraordinary dividends (*i.e.,* special or nonrecurring dividends in excess of the regular dividends paid by the Company), in cash or property, on Performance Restricted Stock shall not be paid until and unless the Performance Restricted Stock becomes Vested Stock.

(f) Certification of Performance Goal . The Committee shall, as soon as practicable following the last day of the Performance Period, determine and certify, based on the Company's financial statements for the fiscal year coincident with the Performance Period, whether the Performance Goal for the Performance Period has been attained. Such certification shall be final, conclusive and binding on the Participant, and on all other persons, to the maximum extent permitted by law.

(g) Vested Stock - Removal of Restrictions . Upon Performance Restricted Stock becoming Vested Stock, all restrictions shall be removed from the certificates or book-entry registrations and the Stock Plan Administrator will provide each participant a Confirmation of Release, representing such Vested Stock free and clear of all restrictions, except for any applicable securities laws restrictions, together with a check in the amount of all Accrued Dividends attributed to such Vested Stock without interest thereon.

4. Legends . The shares of Performance Restricted Stock which are the subject of this Award Agreement shall be subject to the following legend:

"THE SHARES OF STOCK EVIDENCED BY THIS CERTIFICATE OR BOOK-ENTRY REGISTRATION ARE SUBJECT TO AND ARE TRANSFERABLE ONLY IN ACCORDANCE WITH THAT CERTAIN AWARD AGREEMENT DATED **Grant Date** FOR THE DEVON ENERGY CORPORATION 2015 LONG-TERM INCENTIVE PLAN. ANY ATTEMPTED TRANSFER OF THE SHARES OF STOCK EVIDENCED BY THIS CERTIFICATE OR BOOK-ENTRY REGISTRATION IN VIOLATION OF SUCH AWARD AGREEMENT SHALL BE NULL AND VOID AND WITHOUT EFFECT. A COPY OF THE AWARD AGREEMENT MAY BE OBTAINED FROM THE SECRETARY OF DEVON ENERGY CORPORATION."

5. Delivery of Forfeited Shares . The Participant authorizes the Secretary to deliver to the Company any and all shares of Performance Restricted Stock that are forfeited under the provisions of this Award Agreement. The Participant further authorizes the Company to hold as a general obligation of the Company any Accrued Dividends and to pay the Accrued Dividends to the Participant at the time the underlying Performance Restricted Stock becomes Vested Stock.

6. Certain Corporate Changes . If any change is made to the Common Stock (whether by reason of merger, consolidation, reorganization, recapitalization, stock dividend, stock split, combination of shares, or exchange of shares or any other change in capital structure made without receipt of consideration), then unless such event or change results in the termination of all the Performance Restricted Stock granted under this Award Agreement, the Committee shall adjust, in an equitable manner and as provided in the Plan, the number and class of shares underlying the Performance Restricted Stock, the maximum number of shares for which the Award may vest, and the share price or class of Common Stock as appropriate, to reflect the effect of such event or change in the Company's capital structure in such a way as to preserve the value of the Award.

7. Employment. Nothing in the Plan or in this Award Agreement shall confer upon the Participant any right to continue in the employ of the Company or any of its Subsidiaries or Affiliated Entities, or interfere in any way with the right to terminate the Participant's employment at any time.

8. Nontransferability of Award. The Participant shall not have the right to sell, assign, transfer, convey, dispose, pledge, hypothecate, burden, encumber or charge any Performance Restricted Stock or any interest therein in any manner whatsoever.

9. Notices. All notices or other communications relating to the Plan and this Award Agreement as it relates to the Participant shall be in writing and shall be delivered electronically, personally or mailed (U.S. mail) by the Company to the Participant at the then current address as maintained by the Company or such other address as the Participant may advise the Company in writing.

10. Binding Effect and Governing Law. This Award Agreement shall be (i) binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and assigns except as may be limited by the Plan, and (ii) governed and construed under the laws of the State of Delaware.

11. Company Policies. The Participant agrees that the Award will be subject to any applicable clawback or recoupment policies, share trading policies and other policies that may be implemented from time to time by the Company's Board of Directors, a duly authorized committee thereof or the Company.

12. Withholding. The Company and the Participant shall comply with all federal and state laws and regulations respecting the required withholding, deposit and payment of any income, employment or other taxes relating to the Award (including Accrued Dividends). The Company shall withhold the employer's minimum statutory withholding based upon minimum statutory withholding rates for federal and state purposes, including payroll taxes that are applicable to such supplemental taxable income. Any payment of required withholding taxes by the Participant in the form of Common Stock shall not be permitted if it would result in an accounting charge with respect to such shares used to pay such taxes unless otherwise approved by the Committee.

13. Award Subject to Claims of Creditors. The Participant shall not have any interest in any particular assets of the Company, its parent, if applicable, or any Subsidiary or Affiliated Entity by reason of the right to earn an Award (including Accrued Dividends) under the Plan and this Award Agreement, and the Participant or any other person shall have only the rights of a general unsecured creditor of the Company, its parent, if applicable, or a Subsidiary or Affiliated Entity with respect to any rights under the Plan or this Award Agreement.

14. Captions. The captions of specific provisions of this Award Agreement are for convenience and reference only, and in no way define, describe, extend or limit the scope of this Award Agreement or the intent of any provision hereof.

15. Counterparts. This Award Agreement may be executed in any number of identical counterparts, each of which shall be deemed an original for all purposes, but all of which taken together shall form one agreement.

16. Conditions to Post-Retirement Vesting.

(a) Notice of and Conditions to Post-Retirement Vesting. If the Participant is Post-Retirement Vesting Eligible, the Company shall, within a reasonable period of time prior to the Participant's Date of Termination, notify the Participant that the Participant has the right, pursuant to this Section 16(a), to continue to vest following the Date of Termination in any unvested installments of Performance Restricted Stock (each such unvested installment, an "Installment"). The Participant shall have the right to vest in such Installments of Performance Restricted Stock, provided that the Participant executes and delivers to the Company, with respect to each such Installment, the following documentation: (i) a non-disclosure letter agreement, in the form attached as Exhibit A (a

"Non-Disclosure Agreement") on or before January 1 of the year in which such Installment vests pursuant to the Vesting Schedule (or, with respect to the calendar year in which the Date of Termination occurs, on or before the Date of Termination), and (ii) a compliance certificate, in the form attached as Exhibit B (a "Compliance Certificate") indicating the Participant's full compliance with the Non-Disclosure Agreement on or before November 1 of the year in which such Installment vests pursuant to the Vesting Schedule.

(b) Consequences of Failure to Satisfy Vesting Conditions . In the event that, with respect to any given Installment, the Participant fails to deliver either the respective Non-Disclosure Agreement or Compliance Certificate for such Installment on or before the date required for the delivery of such document (such failure, a "Non-Compliance Event"), the Participant shall not be entitled to vest in any unvested Installments that would vest from and after the date of the Non-Compliance Event and the Company shall be authorized to take any and all such actions as are necessary to cause such unvested Performance Restricted Stock to not vest and to terminate. The only remedy of the Company for failure to deliver a Non-Disclosure Agreement or a Compliance Certificate shall be the failure to vest in, and cancellation of, any unvested Installments then held by the Participant.

17. Definitions . Words, terms or phrases used in this Award Agreement shall have the meaning set forth in this Section 17. Capitalized terms used in this Award Agreement but not defined herein shall have the meaning designated in the Plan.

(a) " Accrued Dividends " has the meaning set forth in Section 3(e).

(b) " Award " has the meaning set forth in Section 2.

(c) " Award Agreement " has the meaning set forth in the preamble.

(d) " Company " has the meaning set forth in the preamble.

(e) " Compliance Certificate " has the meaning set forth in Section 16(a).

(f) " Date of Grant " has the meaning set forth in the preamble.

(g) " Date of Termination " means the first day occurring on or after the Date of Grant on which the Participant is not employed by the Company, a Subsidiary, or an Affiliated Entity, regardless of the reason for the termination of employment; provided, however, that a termination of employment shall not be deemed to occur by reason of a transfer of the Participant between the Company, a Subsidiary, and an Affiliated Entity or between two Subsidiaries or two Affiliated Entities. The Participant's employment shall not be considered terminated while the Participant is on a leave of absence from the Company, a Subsidiary, or an Affiliated Entity approved by the Participant's employer pursuant to Company policies. If, as a result of a sale or other transaction, the Participant's employer ceases to be either a Subsidiary or an Affiliated Entity, and the Participant is not, at the end of the 30-day period following the transaction, employed by the Company or an entity that is then a Subsidiary or Affiliated Entity, then the date of occurrence of such transaction shall be treated as the Participant's Date of Termination.

(h) " Early Retirement Date " means, with respect to the Participant, the first day of a month that occurs on or after the date the Participant (i) attains age 55 and (ii) earns at least 10 Years of Service.

(i) " Escrow Agent " has the meaning set forth in Section 3(a).

(j) " Installment " has the meaning set forth in Section 16(a).

(k) "Non-Compliance Event" has the meaning set forth in Section 16(b).

(l) "Non-Disclosure Agreement" has the meaning set forth in Section 16(a).

(m) "Normal Retirement Date" means, with respect to the Participant, the first day of a month that occurs on or after the date the Participant attains age 65.

(n) "Participant" has the meaning set forth in the preamble.

(o) "Plan" has the meaning set forth in the preamble.

(p) "Performance Restricted Stock" has the meaning set forth in the preamble and Section 2.

(q) "Post-Retirement Vesting Eligible" means the Participant has attained the Early Retirement Date or Normal Retirement Date.

(r) "Vested Stock" has the meaning set forth in Section 3(b).

(s) "Vesting Date" has the meaning set forth in Section 3(b).

(t) "Year of Service" means a calendar year in which the Participant is employed with the Company, a Subsidiary or Affiliated Entity for at least nine months of a calendar year. When calculating Years of Service hereunder, the Participant's first hire date with the Company, a Subsidiary or Affiliated Entity shall be used.

"COMPANY"	DEVON ENERGY CORPORATION a Delaware corporation
"PARTICIPANT"	**Participant Name**

EXHIBIT A

Form of Non-Disclosure Agreement

[Insert Date]

Devon Energy Corporation
333 West Sheridan Avenue
Oklahoma City, OK 73102-5015

Re: Non-Disclosure Agreement

Ladies and Gentlemen:

This letter agreement is entered between Devon Energy Corporation (together with its subsidiaries and affiliates, the “Company”) and the undersigned (the “Participant”) in connection with that certain Performance Restricted Stock Award Agreement (the “Agreement”) dated ___________________, 20 _____between the Company and the Participant. All capitalized terms used in this letter agreement shall have the same meaning ascribed to them in the Agreement unless specifically denoted otherwise.

The Participant acknowledges that, during the course of and in connection with the employment relationship between the Participant and the Company, the Company provided and the Participant accepted access to the Company’s trade secrets and confidential and proprietary information, which included, without limitation, information pertaining to the Company’s finances, oil and gas properties and prospects, compensation structures, business and litigation strategies and future business plans and other information or material that is of special and unique value to the Company and that the Company maintains as confidential and does not disclose to the general public, whether through its annual report and/or filings with the Securities and Exchange Commission or otherwise (the “Confidential Information”).

The Participant acknowledges that his position with the Company was one of trust and confidence because of the access to the Confidential Information, requiring the Participant’s best efforts and utmost diligence to protect and maintain the confidentiality of the Confidential Information. Unless required by the Company or with the Company’s express written consent, the Participant will not, during the term of this letter agreement, directly or indirectly, disclose to others or use for his own benefit or the benefit of another any of the Confidential Information, whether or not the Confidential Information is acquired, learned, attained or developed by the Participant alone or in conjunction with others.

The Participant agrees that, due to his access to the Confidential Information, the Participant would inevitably use and/or disclose that Confidential Information in breach of his confidentiality and non-disclosure obligations if the Participant worked in certain capacities or engaged in certain activities for a period of time following his employment with the Company, specifically in a position that involves (i) responsibility and decision-making authority or input at the executive level regarding any subject or responsibility, (ii) decision-making responsibility or input at any management level in the Participant’s individual area of assignment with the Company, or (iii) responsibility and decision-making authority or input that otherwise allows the use of the Confidential Information (collectively referred to as the “Restricted Occupation”). Therefore, except with the prior written consent of the Company, during the term of this letter agreement, the Participant agrees not to be employed by, consult for or otherwise act on behalf of any person or entity in any capacity in which he would be involved, directly or indirectly, in a Restricted Occupation. The Participant acknowledges that this commitment is intended to protect the Confidential Information and is not intended to be applied or interpreted as a covenant against competition.

The Participant further agrees that during the term of this letter agreement, the Participant will not, directly or indirectly on behalf of a person or entity or otherwise, (i) solicit any of the established customers of the Company or attempt to induce any of the established customers of the Company to cease doing business with the Company, or (ii) solicit any of the employees of the Company to cease employment with the Company.

This letter agreement shall become effective upon execution by the Participant and the Company and shall terminate on December 31, 20 ____. **[Note: Insert date that is the end of the calendar year of the letter agreement.]**

If you agree to the above terms and conditions, please execute a copy of this letter agreement below and return a copy to me.

"PARTICIPANT"

____

Participant Name

THE UNDERSIGNED HEREBY ACCEPTS AND AGREES TO THE TERMS SET FORTH ABOVE AS OF THIS _____DAY OF _____________, ____ .

"COMPANY"

DEVON ENERGY CORPORATION

By: ____

Name: ____

Title: ____

EXHIBIT B

Form of Compliance Certificate

I hereby certify that I am in full compliance with the covenants contained in that certain letter agreement (the “Agreement”) dated as of ___________, _____between Devon Energy Corporation and me and have been in full compliance with such covenants at all times during the period ending October 31, _______.

____

Participant Name

Dated: ________________________

Exhibit 10.3

NOTICE OF GRANT OF PERFORMANCE SHARE UNIT AWARD AND AWARD AGREEMENT

Participant's Name

Grant Date: **Grant Date**
Grant Type: **PSU**

Effective **Grant Date** , you have been granted a target award of **Number of Shares Granted** Performance Share Units ("Award") under the Devon Energy Corporation 2015 Long-Term Incentive Plan. Each Performance Share Unit that vests entitles you to one share of Devon Energy Corporation (the "Company") Common Stock. The vesting of these Performance Share Units is determined pursuant to the following two-step process: (i) first, the maximum number of Performance Share Units in which you can vest shall be calculated based upon the Company's TSR (as defined in Schedule A of the Award Agreement) over the Performance Period (as defined in the Award Agreement), (ii) then, if the value (based on the fair market value of a share of Common Stock on the last day of the Performance Period) of the aggregate number of Performance Share Units calculated under clause (i) exceeds the Payout Value Limit described on Schedule A, the number of Performance Share Units calculated under clause (i) shall be reduced so that the value (based on the fair market value of a share of Common Stock on the last day of the Performance Period) of the total number of vested Performance Share Units is equal to the Payout Value Limit. The maximum number of Performance Share Units that you can earn based on clause (i) during the Performance Period will be calculated as follows: **Number of Shares Granted** x 200%, with actual payout based on the performance level achieved by the Company with respect to the Performance Goal set forth on Schedule A.

This Award also entitles you to be paid Dividend Equivalents as set forth in the Award Agreement.

By accepting this agreement online, you and the Company agree that this award is granted under and governed by the terms and conditions of the Company's 2015 Long-Term Incentive Plan, and the Award Agreement, both of which are attached and made a part of this document.

DEVON ENERGY CORPORATION
2015 LONG-TERM INCENTIVE PLAN
PERFORMANCE SHARE UNIT AGREEMENT

THIS PERFORMANCE SHARE UNIT AWARD AGREEMENT (the "Award Agreement") is entered into as of **Grant Date** (the "Date of Grant"), by and between Devon Energy Corporation, a Delaware corporation (the "Company") and **Participant Name** (the "Participant");

W I T N E S S E T H:

WHEREAS, the Devon Energy Corporation 2015 Long-Term Incentive Plan (the "Plan") permits the grant of Performance Units (hereinafter referred to as "Performance Share Units") to employees, officers and non-employee directors of the Company and its Subsidiaries and Affiliated Entities, in accordance with the terms and provisions of the Plan; and

WHEREAS, in connection with the Participant's employment with the Company, the Company desires to award to the Participant **Number of Shares Granted** Performance Share Units subject to the terms and conditions of this Award Agreement and the Plan; and

WHEREAS, the Performance Share Units granted pursuant to this Award Agreement shall vest based on the following two-step process: (i) first, the maximum number of Performance Share Units in which Participant can vest shall be calculated based on the attainment and certification of the Performance Goal described on Schedule A as of the end of the Performance Period, (ii) then, if the value (based on the fair market value of a share of Common Stock on the last day of the Performance Period) of the aggregate number of Performance Share Units calculated under clause (i) exceeds the Payout Value Limit described on Schedule A, the number of Performance Share Units calculated under clause (i) shall be reduced so that the value (based on the fair market value of a share of Common Stock on the last day of the Performance Period) of the total number of vested Performance Share Units is equal to the Payout Value Limit; and

NOW, THEREFORE, in consideration of the premises and the mutual promises and covenants herein contained, the Participant and the Company agree as follows:

1. The Plan. The Plan, a copy of which is attached hereto, is hereby incorporated by reference herein and made a part hereof for all purposes, and when taken with this Award Agreement shall govern the rights of the Participant and the Company with respect to the Award.

2. Grant of Award. The Company hereby grants to the Participant a target award (the "Award") of **Number of Shares Granted** Performance Share Units, on the terms and conditions set forth herein and in the Plan. Each Performance Share Unit that vests entitles the Participant to one share of Common Stock.

3. Terms of Award.

(a) Performance Share Unit Account. The Company shall establish a bookkeeping account on its records for the Participant and shall credit the Participant's Performance Share Units to the bookkeeping account.

(b) General Vesting Terms. Except as provided in this Section 3, the number of Performance Share Units which actually vest under this Agreement shall be determined pursuant to the following two-step process: (i) first, the maximum number of Performance Share Units in which the Participant can vest shall be calculated based on the attainment and certification of the Performance Goal described on Schedule A as of the end of the Performance Period, (ii) then, if the value (based on the fair market value of a share of Common Stock on the last day of the Performance Period) of the aggregate number of Performance Share Units calculated under clause (i) exceeds the Payout Value Limit described on Schedule A, the number of Units calculated under clause (i) shall be reduced so that the value (based on the fair market value of a share of Common Stock on the last day of the Performance Period) of the total number of vested Performance Share Units is equal to the Payout Value Limit. Any Performance Share Units that do not vest under the foregoing two-step process as of the end of the Performance Period shall be forfeited as of the end of the Performance Period. Except as specifically provided below in this Section 3, in the event of a termination of the Participant's employment prior to the end of the Performance Period, all unvested Performance Share Units will be immediately forfeited.

(c) If a Participant's Date of Termination occurs by reason of disability or other special circumstances (as determined by the Committee), and the Committee determines, in its sole and absolute discretion, that the Performance Share Units shall continue to vest following the Participant's Date of Termination, the Participant shall vest in the maximum number of Performance Share Units in which the Participant could vest, based on the two-step process described in Section 3(b), as if the Participant remained in the employ of the Company through the end of the Performance Period.

(d) Except as specifically provided otherwise in Section 3(g), if a Participant's Date of Termination occurs on or after the Participant becomes Post-Retirement Vesting Eligible, the Participant shall vest in the maximum number of Performance Share Units in which the Participant could vest, based on the two-step process described in Section 3(b), as if the Participant remained in the employ of the Company through the end of the Performance Period, provided that, such continued vesting shall be subject to the satisfaction of the conditions in Section 15, and the Participant shall only be eligible to vest in accordance with the two-step process described in Section 3(b) with respect to the percentage of unvested Performance Share Units set forth in the table below.

Age at Retirement	Percentage of the Unvested Performance Share Unit Award Eligible to be Earned by the Participant
54 and earlier	0%
55	60%
56	65%
57	70%
58	75%
59	80%
60 and beyond	100%

(e) Except as specifically provided otherwise in Section 3(g), Performance Share Units shall continue to vest and the Participant shall vest in the maximum number of Performance Share Units in which the Participant could vest, based on the two-step process described in Section 3(b), as if the Participant remained in the employ of the Company through the end of the Performance Period following the Participant's Date of Termination that occurs under circumstances in which the Participant is entitled to a severance payment from the Company, a Subsidiary, or an Affiliated Entity under (A) the Participant's employment agreement or severance agreement with the Company due to a termination of the Participant's employment by the Company without "cause" or by the Participant for "good reason" in accordance with the Participant's employment agreement or severance agreement or (B) the Devon Energy Corporation Severance Plan, provided that for a severance related termination, the Participant signs and returns to the Company a release of claims against the Company in a form prepared by the Company (the "Release") and such Release becomes effective. If the Participant fails to sign and return the Release to the Company or revokes the Release prior to the date the Release becomes effective, the Performance Share Units (and Dividend Equivalents) subject to this Award Agreement shall be forfeited.

(f) A Participant shall become fully and immediately vested in the Award at the target level of performance for the Performance Period in the event of the Participant's death.

(g) If there is a Change in Control Event (as defined in the Plan), the Performance Share Units shall vest as set forth in subsections (i)-(ii) below.

(i) If there is a Change in Control Event and the Company or the surviving company is listed on a national securities exchange after the closing of the Change in Control Event (a "Qualifying Change in Control Event"), the Performance Share Units shall be converted into restricted stock units at the greater of (1) the target level of performance for the Performance Period or (2) the level of performance for the Performance Period until the Qualifying Change in Control Event calculated as of the closing date of the Qualifying Change in Control Event based on the per share transaction price received by Company shareholders for a share of Common Stock in connection with the Qualifying Change in Control Event. Such restricted stock units shall continue to vest during the originally scheduled Performance Period subject to the Participant's continued employment with the Company, except as otherwise specifically provided in this Section 3.

(ii) If there is a Change in Control Event and the Company, or its successor, is not listed on a national securities exchange after the closing of the Change in Control Event (a "Nonpublic Change in Control Event"), the Performance Share Units shall become fully and immediately vested at the greater of (1) the target level of performance for the Performance Period or (2) the level of performance for the Performance Period until the Nonpublic Change in Control Event calculated as of the closing date of the Nonpublic Change in Control Event based on the per share transaction price received by Company shareholders for a share of Common Stock in connection with the Nonpublic Change in Control Event.

(h) Voting Rights and Dividend Equivalents. The Participant shall not have any voting rights with respect to the Performance Share Units. The Participant shall be credited with dividend equivalents ("Dividend Equivalents") with respect to each outstanding Performance Share Unit to the extent that any dividends or other distributions (in cash or other property) are declared and/or paid with respect to the shares of Common Stock after the commencement of the Performance Period (other than distributions pursuant to a share split, for which an adjustment shall be made as described in Section 4 below). Dividend Equivalents shall be credited to the bookkeeping account established on the records of the Company for the Participant and will vest and be paid in cash to the Participant at the same time, and subject to the same conditions, as are applicable to the underlying Performance Share Units. Accordingly, Dividend Equivalents shall be forfeited to the extent that the Performance Share Units do not vest and are forfeited or cancelled. No interest shall be credited on Dividend Equivalents.

(i) Conversion of Performance Share Units; Delivery of Performance Share Units.

(i) Except in the event of the Participant's death or the occurrence of a Qualifying Change in Control Event or Nonpublic Change in Control Event, the Committee shall, within a reasonably practicable time following the last day of the Performance Period, certify the extent, if any, to which the Performance Goal has been achieved with respect to the Performance Period and the number of Performance Share Units, if any, earned upon attainment of the Performance Goal, as reduced by the Payout Value Limit, if applicable. Such certification shall be final, conclusive and binding on the Participant, and on all other persons, to the maximum extent permitted by law. Payment in respect of vested Performance Share Units and Dividend Equivalents shall be made promptly following the Committee's certification of the attainment of the Performance Goal and the determination of the number of vested Performance Share Units, but in any event, no later than March 15 of the year following the year in which the Performance Period ends.

(ii) In the event of the Participant's death or the occurrence of a Nonpublic Change in Control Event, payment in respect of earned and vested Performance Share Units shall be made as soon as reasonably practicable thereafter.

(iii) In the event that restricted stock units established pursuant to Section 3(e)(i) become vested following a Qualifying Change in Control Event, payment in respect of such vested restricted stock units shall be made as soon as reasonably practicable thereafter.

(iv) Notwithstanding any provision of this Award Agreement to the contrary, in no event shall the timing of the Participant's execution of the Compliance Certificate, directly or indirectly, result in the Participant designating the calendar year of payment, and if a payment that is subject to execution of the Compliance Certificate could be made in more than one taxable year, payment shall be made in the later taxable year.

(v) All payments in respect of earned and vested Performance Share Units shall be made in freely transferable shares of Common Stock. No fractional shares of Common Stock shall be issued pursuant to this Award, and any fractional share resulting from any calculation made in accordance with the terms of this Award Agreement shall be rounded down to the next whole share.

4. Certain Corporate Changes. If any change is made to the Common Stock (whether by reason of merger, consolidation, reorganization, recapitalization, stock dividend, stock split, combination of shares, or exchange of shares or any other change in capital structure made without receipt of consideration), then unless such event or change results in the termination of all the Performance Share Units granted under this Award Agreement, the Committee shall adjust, in an equitable manner and as provided in the Plan, the number and class of shares underlying the Performance Share Units, the maximum number of shares for which the Performance Share Units may vest, and the share price or class of Common Stock for purposes of the Performance Goal, as appropriate, to reflect the effect of such event or change in the Company's capital structure in such a way as to preserve the value of the Performance Share Units. Any adjustment that occurs under the terms of this Section 4 or the Plan will not change the timing or form of payment with respect to any Performance Share Units except as permitted in accordance with section 409A of the Code.

5. Employment. Nothing in the Plan or in this Award Agreement shall confer upon the Participant any right to continue in the employ of the Company or any of its Subsidiaries or Affiliated Entities, or interfere in any way with the right to terminate the Participant's employment at any time.

6. Nontransferability of Award. The Participant shall not have the right to sell, assign, transfer, convey, dispose, pledge, hypothecate, burden, encumber or charge any Performance Share Unit or any interest therein in any manner whatsoever.

7. Notices. All notices or other communications relating to the Plan and this Agreement as it relates to the Participant shall be in writing and shall be delivered personally or mailed (U.S. mail) by the Company to the Participant at the then current address as maintained by the Company or such other address as the Participant may advise the Company in writing.

8. Binding Effect and Governing Law. This Award Agreement shall be (i) binding upon and inure to the benefit of the parties hereto and their respective heirs, successors and assigns except as may be limited by the Plan, and (ii) governed and construed under the laws of the State of Delaware.

9. Company Policies. The Participant agrees that the Award will be subject to any applicable clawback or recoupment policies, share trading policies and other policies that may be implemented from time to time by the Company's Board of Directors, a duly authorized committee thereof or the Company.

10. Withholding. The Company and the Participant shall comply with all federal and state laws and regulations respecting the required withholding, deposit and payment of any income, employment or other taxes relating to the Award (including Dividend Equivalents). The Company shall withhold the employer's minimum statutory withholding based upon minimum statutory withholding rates for federal and state purposes, including payroll taxes that are applicable to such supplemental taxable income. Any payment of required withholding taxes by the Participant in the form of Common Stock shall not be permitted if it would result in an accounting charge with respect to such shares used to pay such taxes unless otherwise approved by the Committee.

11. Award Subject to Claims of Creditors. The Participant shall not have any interest in any particular assets of the Company, its parent, if applicable, or any Subsidiary or Affiliated Entity by reason of the right to earn an Award (including Dividend Equivalents) under the Plan and this Award Agreement, and the Participant or any other person shall have only the rights of a general unsecured creditor of the Company, its parent, if applicable, or a Subsidiary or Affiliated Entity with respect to any rights under the Plan or this Award Agreement.

12. Compliance with Section 409A. This Award is intended to comply with the applicable requirements of section 409A of the Code and shall be administered in accordance with section 409A of the Code. Notwithstanding anything in this Award Agreement to the contrary, if the Performance Share Units constitute "deferred compensation" under section 409A of the Code and any Performance Share Units become payable pursuant to the Participant's termination of employment, settlement of the Performance Share Units shall be delayed for a period of six months after the Participant's termination of employment if the Participant is a "specified employee" as defined under section 409A of the Code and if required pursuant to section 409A of the Code. If settlement of the Performance Share Units is delayed, the Performance Share Units shall be settled within 30 days of the date that is the six-month anniversary of the Participant's termination of employment. If the Participant dies during the six-month delay, the Performance Share Units shall be settled in accordance with the Participant's will or under the applicable laws of descent and distribution. Notwithstanding any provision to the contrary herein, distributions made with respect to this Award may only be made in a manner and upon an event permitted by section 409A of the Code, and all payments to be made upon a termination of employment hereunder may only be made upon a "separation from service" as defined under section 409A of the Code. To the extent that any provision of the Award Agreement would cause a conflict with the requirements of section 409A of the Code, or would cause the administration of the Performance Share Units to fail to satisfy the requirements of section 409A of the Code, such provision shall be deemed null and void to the extent permitted by applicable law. In no event shall a Participant, directly or indirectly, designate the calendar year of payment. This Award Agreement may be amended without the consent of the Participant in any respect deemed by the Board of Directors or its delegate to be necessary in order to preserve compliance with section 409A of the Code.

13. Captions. The captions of specific provisions of this Award Agreement are for convenience and reference only, and in no way define, describe, extend or limit the scope of this Award Agreement or the intent of any provision hereof.

14. Counterparts. This Award Agreement may be executed in any number of identical counterparts, each of which shall be deemed an original for all purposes, but all of which taken together shall form one agreement.

15. Conditions to Post-Retirement Vesting.

(a) Notice of and Conditions to Post-Retirement Vesting. If the Participant is Post-Retirement Vesting Eligible, the Company shall, within a reasonable period of time prior to the Participant's Date of Termination, notify the Participant that the Participant has the right, pursuant to this Section 15(a), to continue to vest following the Date of Termination in any unvested Performance Share Units provided that the Participant executes and delivers to the Company the following documentation: (i) a non-disclosure letter agreement, in the form attached as Exhibit A (a "Non-Disclosure Agreement"), on or before the Date of Termination, and (ii) a compliance certificate, in the form attached as Exhibit B (a "Compliance Certificate"), indicating the Participant's full compliance with the Non-Disclosure Agreement, no later than the time(s) required by the Committee.

(b) Consequences of Failure to Satisfy Vesting Conditions . In the event that, the Participant fails to deliver either the respective Non-Disclosure Agreement or Compliance Certificate on or before the date required for the delivery of such document (such failure, a "Non-Compliance Event"), the Participant shall not be entitled to vest in any unvested Performance Share Units and the unvested Performance Share Units subject to this Award Agreement shall be forfeited. The only remedy of the Company for failure to deliver a Non-Disclosure Agreement or a Compliance Certificate shall be the Participant's failure to vest in, and forfeiture of, any unvested Performance Share Units.

16. Definitions . Words, terms or phrases used in this Award Agreement shall have the meaning set forth in this Section 16. Capitalized terms used in this Award Agreement but not defined herein shall have the meaning designated in the Plan.

(a) " Award " has the meaning set forth in Section 2.

(b) " Award Agreement " has the meaning set forth in the preamble.

(c) " Company " has the meaning set forth in the preamble.

(d) " Compliance Certificate " has the meaning set forth in Section 15(a).

(e) " Date of Grant " has the meaning set forth in the preamble.

(f) " Date of Termination " means the first day occurring on or after the Date of Grant on which the Participant is not employed by the Company, a Subsidiary, or an Affiliated Entity, regardless of the reason for the termination of employment; provided, however, that a termination of employment shall not be deemed to occur by reason of a transfer of the Participant between the Company, a Subsidiary, and an Affiliated Entity or between two Subsidiaries or two Affiliated Entities. The Participant's employment shall not be considered terminated while the Participant is on a leave of absence from the Company, a Subsidiary, or an Affiliated Entity approved by the Participant's employer pursuant to Company policies. If, as a result of a sale or other transaction, the Participant's employer ceases to be either a Subsidiary or an Affiliated Entity, and the Participant is not, at the end of the 30-day period following the transaction, employed by the Company or an entity that is then a Subsidiary or Affiliated Entity, then the date of occurrence of such transaction shall be treated as the Participant's Date of Termination.

(g) " Dividend Equivalent " has the meaning set forth in Section 3(h).

(h) " Early Retirement Date " means, with respect to the Participant, the first day of a month that occurs on or after the date the Participant (i) attains age 55 and (ii) earns at least 10 Years of Service.

(i) " Non-Compliance Event " has the meaning set forth in Section 15(b).

(j) " Non-Disclosure Agreement " has the meaning set forth in Section 15(a).

(k) " Nonpublic Change in Control Event " has the meaning set forth in Section 3(e)(ii).

(l) " Normal Retirement Date " means, with respect to the Participant, the first day of a month that occurs on or after the date the Participant attains age 65.

(m) " Participant " has the meaning set forth in the preamble.

(n) " Payout Value Limit " has the meaning set forth in Section 4 of Schedule A.

(o) " Performance Goal " shall mean the performance goal specified on Schedule A which must be attained and certified in order to satisfy the first step of the 2-step process for vesting in the shares of Common Stock subject to this Award.

(p) " Performance Period " has the meaning set forth on Schedule A over which the attainment of the Performance Goal is to be measured.

(q) " Performance Share Unit " the meaning set forth in the preamble.

(r) " Plan " has the meaning set forth in the preamble.

(s) " Post-Retirement Vesting Eligible " means the Participant has attained the Early Retirement Date or Normal Retirement Date.

(t) " Qualifying Change in Control Event " has the meaning set forth in Section 3(e)(i).

(u) " Year of Service " means a calendar year in which the Participant is employed with the Company, a Subsidiary or Affiliated Entity for at least nine months of a calendar year. When calculating Years of Service hereunder, the Participant's first hire date with the Company, a Subsidiary or Affiliated Entity shall be used.

"COMPANY"	DEVON ENERGY CORPORATION, a Delaware corporation
"PARTICIPANT"	**Participant Name**

EXHIBIT A

Form of Non-Disclosure Agreement

[Insert Date]

Devon Energy Corporation
333 West Sheridan Avenue
Oklahoma City, OK 73102-5015

Re: Non-Disclosure Agreement

Ladies and Gentlemen:

This letter agreement is entered between Devon Energy Corporation (together with its subsidiaries and affiliates, the "Company") and the undersigned (the "Participant") in connection with that certain Performance Share Unit Award Agreement (the "Agreement") dated _____________, _______between the Company and the Participant. All capitalized terms used in this letter agreement shall have the same meaning ascribed to them in the Agreement unless specifically denoted otherwise.

The Participant acknowledges that, during the course of and in connection with the employment relationship between the Participant and the Company, the Company provided and the Participant accepted access to the Company's trade secrets and confidential and proprietary information, which included, without limitation, information pertaining to the Company's finances, oil and gas properties and prospects, compensation structures, business and litigation strategies and future business plans and other information or material that is of special and unique value to the Company and that the Company maintains as confidential and does not disclose to the general public, whether through its annual report and/or filings with the Securities and Exchange Commission or otherwise (the "Confidential Information").

The Participant acknowledges that his position with the Company was one of trust and confidence because of the access to the Confidential Information, requiring the Participant's best efforts and utmost diligence to protect and maintain the confidentiality of the Confidential Information. Unless required by the Company or with the Company's express written consent, the Participant will not, during the term of this letter agreement, directly or indirectly, disclose to others or use for his own benefit or the benefit of another any of the Confidential Information, whether or not the Confidential Information is acquired, learned, attained or developed by the Participant alone or in conjunction with others.

The Participant agrees that, due to his access to the Confidential Information, the Participant would inevitably use and/or disclose that Confidential Information in breach of his confidentiality and non-disclosure obligations if the Participant worked in certain capacities or engaged in certain activities for a period of time following his employment with the Company, specifically in a position that involves (i) responsibility and decision-making authority or input at the executive level regarding any subject or responsibility, (ii) decision-making responsibility or input at any management level in the Participant's individual area of assignment with the Company, or (iii) responsibility and decision-making authority or input that otherwise allows the use of the Confidential Information (collectively referred to as the "Restricted Occupation"). Therefore, except with the prior written consent of the Company, during the term of this letter agreement, the Participant agrees not to be employed by, consult for or otherwise act on behalf of any person or entity in any capacity in which he would be involved, directly or indirectly, in a Restricted Occupation. The Participant acknowledges that this commitment is intended to protect the Confidential Information and is not intended to be applied or interpreted as a covenant against competition.

The Participant further agrees that during the term of this letter agreement, the Participant will not, directly or indirectly on behalf of a person or entity or otherwise, (i) solicit any of the established customers of the Company or attempt to induce any of the established customers of the Company to cease doing business with the Company, or (ii) solicit any of the employees of the Company to cease employment with the Company.

This letter agreement shall become effective upon execution by the Participant and the Company and shall terminate on December 31, 20__. **[Note: Insert date that is the end of the 2016-2018 Performance Period.]**

If you agree to the above terms and conditions, please execute a copy of this letter agreement below and return a copy to me.

"PARTICIPANT"

____
Participant Name

THE UNDERSIGNED HEREBY ACCEPTS AND AGREES TO THE TERMS SET FORTH ABOVE AS OF THIS _____DAY OF ___________, _____.

"COMPANY"

DEVON ENERGY CORPORATION

By: ____
Name: ______________________________________
Title: _______________________________________

EXHIBIT B

Form of Compliance Certificate

I hereby certify that I am in full compliance with the covenants contained in that certain letter agreement (the “Agreement”) dated as of ___________, _____between Devon Energy Corporation and me and have been in full compliance with such covenants at all times during the period ending ___________, _____.

____
Participant Name

Dated: ______________________________

Exhibit 31.1

CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David A. Hager, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Devon Energy Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2016

/s/ David A. Hager
David A. Hager
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
RULE 13a-14(a)/15d-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas L. Mitchell, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Devon Energy Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 4, 2016

/s/ Thomas L. Mitchell
Thomas L. Mitchell
Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Report of Devon Energy Corporation (“Devon”) on Form 10-Q for the period ended March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David A. Hager, President and Chief Executive Officer of Devon, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Devon.

/s/ David A. Hager
David A. Hager
President and Chief Executive Officer
May 4, 2016

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Report of Devon Energy Corporation ("Devon") on Form 10-Q for the period ended March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas L. Mitchell, Executive Vice President and Chief Financial Officer of Devon, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Devon.

/s/ Thomas L. Mitchell
Thomas L. Mitchell
Executive Vice President and Chief Financial Officer
May 4, 2016