

DEVON ENERGY CORP/DE

FORM 8-K (Current report filing)

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|-------------|---|
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| CIK | 0001090012 |
| Symbol | DVN |
| SIC Code | 1311 - Crude Petroleum and Natural Gas |
| Fiscal Year | 12/31 |

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 3, 2011

DEVON ENERGY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

DELAWARE

(State or Other Jurisdiction of
Incorporation or Organization)

001-32318

(Commission File Number)

73-1567067

(IRS Employer
Identification Number)

20 NORTH BROADWAY, OKLAHOMA CITY, OK
(Address of Principal Executive Offices)

73102
(Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition

Devon Energy Corporation hereby furnishes the information set forth in its news release dated August 3, 2011 announcing 2011 second quarter financial results, a copy of which is attached as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

99.1 Devon Energy Corporation news release dated August 3, 2011.

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 hereto duly authorized.

DEVON ENERGY CORPORATION

By: /s/ Jeffrey A. Agosta
Jeffrey A. Agosta
Executive Vice President and
Chief Financial Officer

Date: August 3, 2011



News Release

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

| | | |
|------------------|-------------|--------------|
| Investor Contact | Shea Snyder | 405 552 4782 |
| Media Contact | Chip Minty | 405 228 8647 |

DEVON ENERGY EARNS \$2.7 BILLION IN SECOND-QUARTER 2011; NORTH AMERICAN ONSHORE PRODUCTION SETS RECORD

OKLAHOMA CITY — August 3, 2011 — Devon Energy Corporation (NYSE:DVN) today reported net earnings of \$2.7 billion for the quarter ended June 30, 2011, or \$6.50 per common share (\$6.48 per diluted share). This is a 288 percent increase compared with second-quarter 2010 net earnings of \$706 million, or \$1.59 per common share (\$1.58 per diluted share).

For the six months ended June 30, 2011, Devon reported net earnings of \$3.2 billion, or \$7.44 per common share (\$7.41 per diluted share). This compares with net earnings for the six months ended June 30, 2010, of \$1.9 billion, or \$4.26 per common share (\$4.24 per diluted share).

Second-quarter 2011 financial results were impacted by certain items securities analysts typically exclude from their published estimates. The most significant of the adjusting items was a \$2.5 billion gain on the sale of assets in Brazil. Excluding adjusting items, Devon earned \$726 million or \$1.71 per diluted common share in the second quarter. The adjusting items are discussed in more detail later in this news release.

Record Production and Higher Prices Drive Oil and Gas Sales

Sales of oil, natural gas, and natural gas liquids from continuing operations were \$2.2 billion in the second quarter of 2011, a 23 percent increase over the second quarter of 2010. Both higher production and higher oil and natural gas liquids pricing contributed to the increase.

Devon's North American onshore production averaged the highest daily rate in the company's history at 660,000 oil-equivalent barrels (Boe) per day in the second quarter of 2011. This represents a production increase of more than six percent over the second-quarter 2010, driven by a 12 percent increase in oil and natural gas liquids production.

Devon's marketing and midstream operating profit totaled \$148 million in the second-quarter 2011, a 19 percent increase over the second quarter of 2010. The improvement resulted from higher natural gas liquids production and prices as well as increased gas throughput.

Strategic Repositioning Completed; Share Repurchase Plan Remains on Schedule

In May, the company closed the \$3.2 billion sale of its Brazilian operations. Devon has now substantially completed its International and Gulf of Mexico divestiture plan. In aggregate, sales proceeds from the combined divestitures exceeded \$10 billion with after-tax proceeds expected to approximate \$8 billion.

"The execution of Devon's strategic repositioning was excellent," said John Richels, president and chief executive officer. "Devon has emerged with a pristine balance sheet, a deep inventory of oil and liquids-rich growth opportunities and a highly competitive cost structure. As demonstrated by our second-quarter results, the repositioned Devon is delivering profitable growth per share."

In May 2010, Devon commenced a program to repurchase \$3.5 billion of its common stock. As of June 30, 2011, the company had repurchased 33.5 million shares at a total cost of \$2.5 billion. Devon expects to complete the stock repurchase program by the end of 2011.

Production Growth Leads Operating Highlights

- In the Permian Basin, Devon increased production 17 percent over the second quarter of 2010, to 49,000 oil-equivalent barrels per day. Oil and natural gas liquids accounted for 75 percent of the quarter's production.
- The company completed nine operated Bone Spring wells within the Permian Basin in the second quarter. Initial daily production from the nine wells averaged more than 700 Boe per day per well. Devon has an average working interest of 77 percent in these wells.
- In Canada, Devon commenced steam injection and achieved first production from its Jackfish 2 oil sands project in the second quarter. Production from the 100 percent-owned project is expected to ramp-up to 35,000 barrels per day before royalties over the next 18 months.
- Production from the company's Cana-Woodford Shale play averaged a record 189 million cubic feet of natural gas equivalent per day in the second quarter, including nearly 9,000 barrels per day of liquids. This represents an 80 percent increase in total production compared to the year-ago quarter.
- Devon's Barnett Shale production increased 13 percent over the second-quarter 2010 to a record 1.3 billion cubic feet of natural gas equivalent per day, including 46,000 barrels per day of liquids production.
- Devon brought eight operated Granite Wash wells online in the second quarter. Initial production from these wells averaged 2,010 barrels of oil-equivalent per day, including 200 barrels of oil and 730 barrels of natural gas liquids per day. The company has an average working interest of 71 percent in these wells.
- The company has assembled 1.1 million net acres targeting new oil and liquids-rich gas opportunities across multiple basins in the U.S. Devon plans to drill more than 30 wells this year targeting the Tuscaloosa Marine Shale, Niobrara Shale, Mississippian Lime, Ohio Utica Shale and the A1 Carbonate and Utica Shale in Michigan.

Cost Containment Efforts Offset Rising Industry Costs

Lease operating expenses (LOE) were \$453 million in the second quarter of 2011, or \$7.55 per Boe. This represents a one cent per Boe decrease from the second-quarter 2010. Effective cost management and higher production offset the effects of the strengthening Canadian dollar and rising service and supply costs.

Taxes other than income increased \$28 million to \$120 million in the second quarter of 2011. The year-over-year increase was driven by higher production taxes, resulting from the significant increase in oil and natural gas liquids revenues.

Second-quarter 2011 general and administrative expenses (G&A) totaled \$135 million, or \$2.26 per Boe. Compared to the second quarter of 2010, G&A per Boe increased approximately two percent. Efficiencies gained through the company's strategic repositioning helped mitigate the effects of the strengthening Canadian dollar and an increase in overall activity levels.

Depreciation, depletion and amortization expense (DD&A) of oil and gas properties increased to \$485 million in the second quarter of 2011. Compared to the year-ago quarter, unit DD&A increased 11 percent to \$8.08 per Boe.

Interest expense decreased 24 percent in the second quarter to \$85 million. Second-quarter 2010 interest expense included a \$19 million charge related to the early redemption of senior notes.

Second-quarter income tax expense from continuing operations totaled \$1.2 billion, or 87 percent of pre-tax earnings. This unusually high tax rate resulted from a \$744 million charge related to U.S. income taxes on foreign earnings assumed to be repatriated under current U.S. tax law. After adjusting for this and other items generally excluded by securities analysts, Devon's second quarter tax rate totaled 32 percent of pre-tax earnings from continuing operations.

Cash Flow and Divestiture Proceeds Total \$4.8 Billion

Cash flow before balance sheet changes totaled \$1.6 billion in the second quarter of 2011, a 115 percent increase over the year-ago quarter. In addition, Devon received \$3.2 billion of pre-tax proceeds from the sale of its assets in Brazil.

As of June 30, 2011, the company's cash and short-term investments reached \$6.7 billion and its net debt to adjusted capitalization ratio declined to five percent. Reconciliations of cash flow before balance sheet changes, net debt and adjusted capitalization, which are non-GAAP measures, are provided in this release.

Devon Adds To Natural Gas Hedges

Devon continued to bolster its natural gas hedge positions for 2011 and 2012. For the second half of 2011, the company now has approximately 980 million cubic feet per day protected utilizing swap and collar contracts with a weighted average floor price of \$5.28 per Mcf. For 2012, Devon now has hedges covering 815 million cubic feet per day hedged at a weighted average floor price of \$4.89 per Mcf. The company's natural gas hedges for both 2011 and 2012 are based on the Henry Hub benchmark index.

Divestitures Impact Reported Financial and Operational Results

In accordance with accounting standards, Devon has classified the assets, liabilities, and results of its international segment as discontinued operations for all accounting periods presented in this release. Included with this release is a table of revenues, expenses, production categories, and the amounts classified as discontinued operations for each period presented.

Items Excluded from Published Earnings Estimates

Devon's reported net earnings include items of income and expense that are typically excluded by securities analysts in their published estimates of the company's financial results. These items and their effects upon reported earnings for the second-quarter 2011 were as follows:

Items affecting continuing operations:

- U.S. income taxes on foreign earnings assumed to be repatriated to the U.S. decreased second-quarter earnings by \$744 million.
- A change in the fair value of oil, gas and NGL derivative instruments increased second-quarter earnings by \$357 million pre-tax (\$233 million after tax).
- A change in fair value of interest-rate and other financial instruments decreased second-quarter earnings by \$30 million pre-tax (\$20 million after tax).
- Restructuring costs decreased second-quarter earnings by \$6 million pre-tax (\$3 million after tax).

Items affecting discontinued operations:

- Divestitures of assets in Brazil resulted in a second-quarter gain of \$2.5 billion pre-tax (\$2.5 billion after tax).
- Restructuring costs increased second-quarter earnings by \$8 million pre-tax (\$5 million after tax).

The following tables summarize the effects of these items on second-quarter 2011 earnings, income taxes and cash flow.

Summary of Items Typically Excluded by Securities Analysts (in millions)

Continuing Operations — Second Quarter 2011

| | Pre-tax Earnings Effect | Income Tax Effect | | | After-tax Earnings Effect | Cash Flow Before Balance Sheet Changes Effect |
|---|-------------------------------|-------------------|----------|-------|---------------------------------|---|
| | | Current | Deferred | Total | | |
| U.S. income taxes on foreign earnings | \$ — | 19 | 725 | 744 | (744) | (19) |
| Oil, gas, and NGL derivatives | 357 | — | 124 | 124 | 233 | — |
| Interest-rate and other financial instruments | (30) | — | (10) | (10) | (20) | — |
| Restructuring costs | (6) | — | (3) | (3) | (3) | (3) |
| Income tax accrual adjustment | — | (12) | 12 | — | — | 12 |
| Totals | \$ 321 | 7 | 848 | 855 | (534) | (10) |

Discontinued Operations — Second Quarter 2011

| | Pre-tax Earnings Effect | Income Tax Effect | | | After-tax Earnings Effect | Cash Flow Before Balance Sheet Changes Effect |
|----------------------------|-------------------------------|-------------------|----------|-------|---------------------------------|---|
| | | Current | Deferred | Total | | |
| Gain on the sale of assets | \$ 2,546 | — | — | — | 2,546 | — |
| Restructuring costs | 8 | 3 | — | 3 | 5 | 5 |
| Totals | \$ 2,554 | 3 | — | 3 | 2,551 | 5 |

In aggregate, these items increased second-quarter 2011 net earnings by \$2.0 billion, or \$4.78 per common share (\$4.77 cents per diluted share). These items and their associated tax effects decreased second-quarter 2011 cash flow before balance sheet changes by \$5 million.

Conference Call to be Webcast Today

Devon will discuss its second-quarter 2011 financial and operating results in a conference call that will be webcast today at 10 a.m. Central Time (11 a.m. Eastern Time). The webcast may be accessed from Devon's internet home page at www.devonenergy.com.

Devon Energy Corporation is an Oklahoma City-based independent energy company engaged in oil and gas exploration and production. Devon is a leading U.S.-based independent oil and gas producer and is included in the S&P 500 Index. For more information about Devon, please visit our website at www.devonenergy.com.

This press release includes "forward-looking statements" as defined by the Securities and Exchange Commission. Such statements are those concerning strategic plans, expectations and objectives for future operations. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that the company expects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the company. Statements regarding future drilling and production are subject to all of the risks and uncertainties normally incident to the exploration for and development and production of oil and gas. These risks include, but are not limited to the volatility of oil, natural gas and NGL prices; uncertainties inherent in estimating oil, natural gas and NGL reserves; drilling risks; environmental risks; and political or regulatory changes. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements. The forward-looking statements in this press release are made as of the date of this press release, even if subsequently made available by Devon on its website or otherwise. Devon does not undertake any obligation to update the forward-looking statements as a result of new information, future events or otherwise.

The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved, probable and possible reserves that meet the SEC's definitions for such terms, and price and cost sensitivities for such reserves, and prohibits disclosure of resources that do not constitute such reserves. This release may contain certain terms, such as resource potential and exploration target size. These estimates are by their nature more speculative than estimates of proved, probable and possible reserves and accordingly are subject to substantially greater risk of being actually realized. The SEC guidelines strictly prohibit us from including these estimates in filings with the SEC. U.S. investors are urged to consider closely the disclosure in our Form 10-K for the fiscal year ended December 31, 2010, available from us at Devon Energy Corporation, Attn. Investor Relations, 20 North Broadway, Oklahoma City, OK 73102. You can also obtain this form from the SEC by calling 1-800-SEC-0330 or from the SEC's website at www.sec.gov.

DEVON ENERGY CORPORATION
FINANCIAL AND OPERATIONAL INFORMATION

| PRODUCTION (net of royalties) Excludes discontinued operations | Quarter Ended June 30, | | Six Months Ended June 30, | |
|---|---------------------------|---------|------------------------------|---------|
| | 2011 | 2010 | 2011 | 2010 |
| Total Period Production | | | | |
| Natural Gas (Bcf) | | | | |
| U.S. Onshore | 184.6 | 173.4 | 361.4 | 339.3 |
| Canada | 55.7 | 57.4 | 106.9 | 108.1 |
| North American Onshore | 240.3 | 230.8 | 468.3 | 447.4 |
| U.S. Offshore | — | 6.9 | — | 16.8 |
| Total Natural Gas | 240.3 | 237.7 | 468.3 | 464.2 |
| Oil (MMBbls) | | | | |
| U.S. Onshore | 4.2 | 3.3 | 7.9 | 6.3 |
| Canada | 6.6 | 6.7 | 13.0 | 13.1 |
| North American Onshore | 10.8 | 10.0 | 20.9 | 19.4 |
| U.S. Offshore | — | 0.8 | — | 1.9 |
| Total Oil | 10.8 | 10.8 | 20.9 | 21.3 |
| Natural Gas Liquids (MMBbls) | | | | |
| U.S. Onshore | 8.3 | 7.0 | 15.9 | 13.5 |
| Canada | 0.9 | 0.9 | 1.8 | 1.8 |
| North American Onshore | 9.2 | 7.9 | 17.7 | 15.3 |
| U.S. Offshore | — | 0.2 | — | 0.3 |
| Total Natural Gas Liquids | 9.2 | 8.1 | 17.7 | 15.6 |
| Oil Equivalent (MMBoe) | | | | |
| U.S. Onshore | 43.4 | 39.2 | 84.0 | 76.3 |
| Canada | 16.7 | 17.2 | 32.6 | 33.0 |
| North American Onshore | 60.1 | 56.4 | 116.6 | 109.3 |
| U.S. Offshore | — | 2.1 | — | 5.0 |
| Total Oil Equivalent | 60.1 | 58.5 | 116.6 | 114.3 |
| Average Daily Production | | | | |
| Natural Gas (MMcf) | | | | |
| U.S. Onshore | 2,028.7 | 1,905.9 | 1,996.6 | 1,874.6 |
| Canada | 612.3 | 630.2 | 590.7 | 597.3 |
| North American Onshore | 2,641.0 | 2,536.1 | 2,587.3 | 2,471.9 |
| U.S. Offshore | — | 76.2 | — | 92.7 |
| Total Natural Gas | 2,641.0 | 2,612.3 | 2,587.3 | 2,564.6 |
| Oil (MBbls) | | | | |
| U.S. Onshore | 46.5 | 36.5 | 43.6 | 34.8 |
| Canada | 71.9 | 73.9 | 71.9 | 72.4 |
| North American Onshore | 118.4 | 110.4 | 115.5 | 107.2 |
| U.S. Offshore | — | 8.2 | — | 10.5 |
| Total Oil | 118.4 | 118.6 | 115.5 | 117.7 |
| Natural Gas Liquids (MBbls) | | | | |
| U.S. Onshore | 91.8 | 76.5 | 88.0 | 74.5 |
| Canada | 9.8 | 10.3 | 9.8 | 10.1 |
| North American Onshore | 101.6 | 86.8 | 97.8 | 84.6 |
| U.S. Offshore | — | 1.7 | — | 1.8 |
| Total Natural Gas Liquids | 101.6 | 88.5 | 97.8 | 86.4 |
| Oil Equivalent (MBoe) | | | | |
| U.S. Onshore | 476.3 | 430.6 | 464.3 | 421.7 |
| Canada | 183.8 | 189.3 | 180.2 | 182.0 |
| North American Onshore | 660.1 | 619.9 | 644.5 | 603.7 |
| U.S. Offshore | — | 22.6 | — | 27.8 |
| Total Oil Equivalent | 660.1 | 642.5 | 644.5 | 631.5 |

DEVON ENERGY CORPORATION
FINANCIAL AND OPERATIONAL INFORMATION

| BENCHMARK PRICES (average prices) | Quarter Ended June 30, | | Six Months Ended June 30, | |
|--|---------------------------|----------|------------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Natural Gas (\$/Mcf) — Henry Hub | \$ 4.32 | \$ 4.09 | \$ 4.21 | \$ 4.70 |
| Oil (\$/Bbl) — West Texas Intermediate (Cushing) | \$102.60 | \$ 78.16 | \$ 98.35 | \$ 78.35 |

| Quarter Ended June 30, 2011 | Oil (Per Bbl) | Gas (Per Mcf) | NGLs (Per Bbl) | Total (Per Boe) |
|--|------------------|------------------|-------------------|--------------------|
| U.S. Onshore | \$ 98.28 | \$ 3.72 | \$ 40.43 | \$ 33.19 |
| Canada | \$ 73.65 | \$ 4.08 | \$ 58.80 | \$ 45.55 |
| North American Onshore | \$ 83.31 | \$ 3.80 | \$ 42.20 | \$ 36.63 |
| U.S. Offshore | \$ — | \$ — | \$ — | \$ — |
| Realized price without hedges | \$ 83.31 | \$ 3.80 | \$ 42.20 | \$ 36.63 |
| Cash settlements | \$ (1.49) | \$ 0.31 | \$ 0.05 | \$ 0.99 |
| Realized price, including cash settlements | \$ 81.82 | \$ 4.11 | \$ 42.25 | \$ 37.62 |

| Quarter Ended June 30, 2010 | Oil (Per Bbl) | Gas (Per Mcf) | NGLs (Per Bbl) | Total (Per Boe) |
|--|------------------|------------------|-------------------|--------------------|
| U.S. Onshore | \$ 74.65 | \$ 3.47 | \$ 28.73 | \$ 26.77 |
| Canada | \$ 54.43 | \$ 3.99 | \$ 46.18 | \$ 37.08 |
| North American Onshore | \$ 61.11 | \$ 3.60 | \$ 30.81 | \$ 29.92 |
| U.S. Offshore | \$ 79.09 | \$ 4.39 | \$ 35.59 | \$ 46.17 |
| Realized price without hedges | \$ 62.35 | \$ 3.62 | \$ 30.90 | \$ 30.49 |
| Cash settlements | \$ — | \$ 1.06 | \$ — | \$ 4.31 |
| Realized price, including cash settlements | \$ 62.35 | \$ 4.68 | \$ 30.90 | \$ 34.80 |

| Six Months Ended June 30, 2011 | Oil (Per Bbl) | Gas (Per Mcf) | NGLs (Per Bbl) | Total (Per Boe) |
|--|------------------|------------------|-------------------|--------------------|
| U.S. Onshore | \$ 93.84 | \$ 3.61 | \$ 38.04 | \$ 31.53 |
| Canada | \$ 67.29 | \$ 4.05 | \$ 56.49 | \$ 43.23 |
| North American Onshore | \$ 77.32 | \$ 3.71 | \$ 39.90 | \$ 34.80 |
| U.S. Offshore | \$ — | \$ — | \$ — | \$ — |
| Realized price without hedges | \$ 77.32 | \$ 3.71 | \$ 39.90 | \$ 34.80 |
| Cash settlements | \$ (1.00) | \$ 0.35 | \$ 0.06 | \$ 1.25 |
| Realized price, including cash settlements | \$ 76.32 | \$ 4.06 | \$ 39.96 | \$ 36.05 |

| Six Months Ended June 30, 2010 | Oil (Per Bbl) | Gas (Per Mcf) | NGLs (Per Bbl) | Total (Per Boe) |
|--|------------------|------------------|-------------------|--------------------|
| U.S. Onshore | \$ 74.73 | \$ 4.05 | \$ 31.39 | \$ 29.71 |
| Canada | \$ 58.36 | \$ 4.50 | \$ 47.52 | \$ 40.62 |
| North American Onshore | \$ 63.67 | \$ 4.16 | \$ 33.31 | \$ 33.00 |
| U.S. Offshore | \$ 77.81 | \$ 5.12 | \$ 38.22 | \$ 49.06 |
| Realized price without hedges | \$ 64.93 | \$ 4.19 | \$ 33.41 | \$ 33.70 |
| Cash settlements | \$ — | \$ 0.75 | \$ — | \$ 3.04 |
| Realized price, including cash settlements | \$ 64.93 | \$ 4.94 | \$ 33.41 | \$ 36.74 |

DEVON ENERGY CORPORATION
FINANCIAL AND OPERATIONAL INFORMATION

CONSOLIDATED STATEMENTS OF OPERATIONS

| (in millions, except per share amounts) | Quarter Ended June 30, | | Six Months Ended June 30, | |
|--|---------------------------|---------------|------------------------------|-----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Revenues | | | | |
| Oil, gas, and NGL sales | \$ 2,200 | \$ 1,782 | \$ 4,060 | \$ 3,852 |
| Oil, gas and NGL derivatives | 416 | 45 | 248 | 665 |
| Marketing and midstream revenues | 604 | 405 | 1,059 | 935 |
| Total revenues | 3,220 | 2,232 | 5,367 | 5,452 |
| Expenses and other, net | | | | |
| Lease operating expenses | 453 | 442 | 877 | 856 |
| Taxes other than income taxes | 120 | 92 | 228 | 193 |
| Marketing and midstream operating costs and expenses | 456 | 280 | 789 | 677 |
| Depreciation, depletion and amortization of oil and gas properties | 485 | 426 | 927 | 852 |
| Depreciation and amortization of non-oil and gas properties | 65 | 63 | 129 | 126 |
| Accretion of asset retirement obligation | 23 | 24 | 46 | 50 |
| General and administrative expenses | 135 | 130 | 265 | 268 |
| Restructuring costs | 6 | (8) | 1 | (8) |
| Interest expense | 85 | 111 | 166 | 197 |
| Interest-rate and other financial instruments | 25 | 81 | 8 | 66 |
| Other, net | (11) | (22) | (27) | (26) |
| Total expenses and other, net | 1,842 | 1,619 | 3,409 | 3,251 |
| Earnings from continuing operations before income taxes | 1,378 | 613 | 1,958 | 2,201 |
| Income tax expense (benefit) | | | | |
| Current | 36 | 707 | (53) | 1,006 |
| Deferred | 1,158 | (446) | 1,438 | (231) |
| Total income tax expense | 1,194 | 261 | 1,385 | 775 |
| Earnings from continuing operations | 184 | 352 | 573 | 1,426 |
| Discontinued operations | | | | |
| Earnings from discontinued operations before income taxes | 2,558 | 473 | 2,588 | 610 |
| Discontinued operations income tax (benefit) expense | (1) | 119 | 2 | 138 |
| Earnings from discontinued operations | 2,559 | 354 | 2,586 | 472 |
| Net earnings | \$ 2,743 | \$ 706 | \$ 3,159 | \$ 1,898 |
| Basic earnings from continuing operations per share | \$ 0.44 | \$ 0.79 | \$ 1.35 | \$ 3.20 |
| Basic earnings from discontinued operations per share | 6.06 | 0.80 | 6.09 | 1.06 |
| Basic net earnings per share | \$ 6.50 | \$ 1.59 | \$ 7.44 | \$ 4.26 |
| Diluted earnings from continuing operations per share | \$ 0.43 | \$ 0.79 | \$ 1.34 | \$ 3.19 |
| Diluted earnings from discontinued operations per share | 6.05 | 0.79 | 6.07 | 1.05 |
| Diluted net earnings per share | \$ 6.48 | \$ 1.58 | \$ 7.41 | \$ 4.24 |
| Weighted average common shares outstanding | | | | |
| Basic | 422 | 445 | 425 | 446 |
| Diluted | 423 | 446 | 426 | 447 |

DEVON ENERGY CORPORATION
FINANCIAL AND OPERATIONAL INFORMATION

CONSOLIDATED BALANCE SHEETS

| (in millions) | June 30, 2011 | December 31, 2010 |
|---|------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 3,351 | \$ 2,866 |
| Short-term investments | 3,367 | 145 |
| Accounts receivable | 1,446 | 1,202 |
| Current assets held for sale | 36 | 563 |
| Other current assets | 711 | 779 |
| Total current assets | 8,911 | 5,555 |
| Property and equipment, at cost: | | |
| Oil and gas, based on full cost accounting: | | |
| Subject to amortization | 59,423 | 56,012 |
| Not subject to amortization | 3,915 | 3,434 |
| Total oil and gas | 63,338 | 59,446 |
| Other | 4,732 | 4,429 |
| Total property and equipment, at cost | 68,070 | 63,875 |
| Less accumulated depreciation, depletion and amortization | (45,643) | (44,223) |
| Property and equipment, net | 22,427 | 19,652 |
| Goodwill | 6,176 | 6,080 |
| Long-term assets held for sale | 94 | 859 |
| Other long-term assets | 929 | 781 |
| Total Assets | \$ 38,537 | \$ 32,927 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable — trade | \$ 1,365 | \$ 1,411 |
| Revenues and royalties due to others | 669 | 538 |
| Short-term debt | 1,962 | 1,811 |
| Current liabilities associated with assets held for sale | 43 | 305 |
| Other current liabilities | 445 | 518 |
| Total current liabilities | 4,484 | 4,583 |
| Long-term debt | 5,968 | 3,819 |
| Asset retirement obligations | 1,499 | 1,423 |
| Liabilities associated with assets held for sale | 2 | 26 |
| Other long-term liabilities | 808 | 1,067 |
| Deferred income taxes | 4,348 | 2,756 |
| Stockholders' equity: | | |
| Common stock | 42 | 43 |
| Additional paid-in capital | 4,489 | 5,601 |
| Retained earnings | 14,901 | 11,882 |
| Accumulated other comprehensive earnings | 2,021 | 1,760 |
| Treasury stock, at cost | (25) | (33) |
| Total Stockholders' Equity | 21,428 | 19,253 |
| Total Liabilities and Stockholders' Equity | \$ 38,537 | \$ 32,927 |
| Common Shares Outstanding | 418 | 432 |

DEVON ENERGY CORPORATION
FINANCIAL AND OPERATIONAL INFORMATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

| (in millions) | Quarter Ended June 30, | | Six Months Ended June 30, | |
|--|---------------------------|----------------|------------------------------|----------------|
| | 2011 | 2010 | 2011 | 2010 |
| Cash Flows From Operating Activities | | | | |
| Net earnings | \$ 2,743 | \$ 706 | \$ 3,159 | \$ 1,898 |
| Earnings from discontinued operations, net of tax | (2,559) | (354) | (2,586) | (472) |
| Adjustments to reconcile earnings from continuing operations to net cash provided by operating activities: | | | | |
| Depreciation, depletion and amortization | 550 | 489 | 1,056 | 978 |
| Deferred income tax expense | 1,158 | (446) | 1,438 | (231) |
| Unrealized change in fair value of financial instruments | (327) | 292 | (74) | (231) |
| Other noncash charges | 46 | 25 | 82 | 81 |
| Net cash from operating activities before balance sheet changes | 1,611 | 712 | 3,075 | 2,023 |
| Net decrease (increase) in working capital | 82 | 531 | (89) | 581 |
| Decrease in long-term other assets | 49 | 16 | 45 | 14 |
| (Decrease) increase in long-term other liabilities | (178) | 19 | (201) | 1 |
| Cash from operating activities — continuing operations | 1,564 | 1,278 | 2,830 | 2,619 |
| Cash from operating activities — discontinued operations | (14) | 119 | (20) | 273 |
| Net cash from operating activities | 1,550 | 1,397 | 2,810 | 2,892 |
| Cash Flows From Investing Activities | | | | |
| Capital expenditures | (1,893) | (1,974) | (3,720) | (3,221) |
| Proceeds from property and equipment divestitures | — | 2,872 | 5 | 4,129 |
| Purchases of short-term investments | (2,884) | — | (4,520) | — |
| Redemptions of short-term investments | 1,153 | — | 1,298 | — |
| Redemptions of long-term investments | 1 | 10 | 1 | 18 |
| Other | (24) | — | (33) | — |
| Cash from investing activities — continuing operations | (3,647) | 908 | (6,969) | 926 |
| Cash from investing activities — discontinued operations | 3,222 | 536 | 3,170 | 429 |
| Net cash from investing activities | (425) | 1,444 | (3,799) | 1,355 |
| Cash Flows From Financing Activities | | | | |
| Net commercial paper borrowings (repayments) | 1,143 | (240) | 2,340 | (1,432) |
| Debt repayments | — | (350) | — | (350) |
| Proceeds from stock option exercises | 8 | 7 | 96 | 15 |
| Repurchases of common stock | (584) | (430) | (1,290) | (430) |
| Dividends paid on common stock | (72) | (70) | (140) | (142) |
| Excess tax benefits related to share-based compensation | 3 | 3 | 12 | 6 |
| Net cash from financing activities | 498 | (1,080) | 1,018 | (2,333) |
| Effect of exchange rate changes on cash | 12 | (27) | 32 | (9) |
| Net increase in cash and cash equivalents | 1,635 | 1,734 | 61 | 1,905 |
| Cash and cash equivalents at beginning of period | 1,716 | 1,182 | 3,290 | 1,011 |
| Cash and cash equivalents at end of period | \$ 3,351 | \$ 2,916 | \$ 3,351 | \$ 2,916 |

DEVON ENERGY CORPORATION
FINANCIAL AND OPERATIONAL INFORMATION

COMPANY OPERATED RIGS

| | As of June 30, | |
|--|----------------|------|
| | 2011 | 2010 |
| Number of Company Operated Rigs Running | | |
| U.S. Onshore | 69 | 59 |
| Canada | 3 | 6 |
| Total | 72 | 65 |

DRILLING ACTIVITY

Gross wells drilled

| | Quarter Ended June 30, | |
|---------------------------------------|---------------------------|------|
| | 2011 | 2010 |
| Exploration Wells Drilled | | |
| U.S. Onshore | 5 | 5 |
| Canada | 3 | 4 |
| Total | 8 | 9 |
| Exploration Wells Success Rate | | |
| U.S. Onshore | 80% | 100% |
| Canada | 100% | 100% |
| Total | 88% | 100% |
| Development Wells Drilled | | |
| U.S. Onshore | 270 | 270 |
| Canada | 22 | 33 |
| Total | 292 | 303 |
| Development Wells Success Rate | | |
| U.S. Onshore | 100% | 100% |
| Canada | 100% | 100% |
| Total | 100% | 100% |
| Total Wells Drilled | | |
| U.S. Onshore | 275 | 275 |
| Canada | 25 | 37 |
| Total | 300 | 312 |
| Total Wells Success Rate | | |
| U.S. Onshore | 100% | 100% |
| Canada | 100% | 100% |
| Total | 100% | 100% |

DEVON ENERGY CORPORATION
FINANCIAL AND OPERATIONAL INFORMATION

KEY OPERATING STATISTICS BY REGION
Quarter Ended June 30, 2011

| | Avg. Production (MBOED) | Operated Rigs at June 30, 2011 | Gross Wells Drilled |
|-------------------------------------|----------------------------|-----------------------------------|------------------------|
| Barnett Shale | 213.0 | 13 | 74 |
| Canadian Oilsands — Jackfish / Pike | 31.2 | — | 7 |
| Cana-Woodford Shale | 31.5 | 23 | 60 |
| Granite Wash | 16.7 | 5 | 13 |
| Gulf Coast / East Texas | 72.9 | 6 | 17 |
| Lloydminster | 39.4 | 1 | 6 |
| Permian Basin | 48.6 | 19 | 75 |
| Rocky Mountains | 65.9 | 3 | 26 |
| Other | 140.9 | 2 | 22 |
| Total | 660.1 | 72 | 300 |

CAPITAL EXPENDITURES (in millions)

Quarter Ended June 30, 2011

| | U.S. Onshore | Canada | Total |
|-------------------------------------|--------------|--------|----------------|
| Capital Expenditures | | | |
| Exploration | \$ 238 | 22 | \$ 260 |
| Development | 998 | 273 | 1,271 |
| Exploration and development capital | \$ 1,236 | 295 | \$1,531 |
| Capitalized G&A | | | 81 |
| Capitalized interest | | | 11 |
| Midstream capital | | | 77 |
| Other capital | | | 133 |
| Total Continuing Operations | | | \$1,833 |
| Discontinued operations | | | 15 |
| Total Operations | | | \$1,848 |

CAPITAL EXPENDITURES (in millions)

Six Months Ended June 30, 2011

| | U.S. Onshore | Canada | Total |
|-------------------------------------|--------------|--------|----------------|
| Capital Expenditures | | | |
| Exploration | \$ 341 | 176 | \$ 517 |
| Development | 1,911 | 624 | 2,535 |
| Exploration and development capital | \$ 2,252 | 800 | \$3,052 |
| Capitalized G&A | | | 162 |
| Capitalized interest | | | 22 |
| Midstream capital | | | 154 |
| Other capital | | | 225 |
| Total Continuing Operations | | | \$3,615 |
| Discontinued operations | | | 34 |
| Total Operations | | | \$3,649 |

DEVON ENERGY CORPORATION
FINANCIAL AND OPERATIONAL INFORMATION

PRODUCTION FROM DISCONTINUED OPERATIONS

| | Quarter Ended June 30, | | Six Months Ended June 30, | |
|--|---------------------------|------|------------------------------|------|
| | 2011 | 2010 | 2011 | 2010 |
| Production from Discontinued Operations | | | | |
| Oil (MMBbls) | — | 2.9 | 0.5 | 5.8 |
| Natural Gas (Bcf) | — | 0.4 | — | 0.9 |
| Total Oil Equivalent (MMBoe) | — | 3.0 | 0.5 | 5.9 |

STATEMENTS OF DISCONTINUED OPERATIONS

| (in millions) | Quarter Ended June 30, | | Six Months Ended June 30, | |
|--|---------------------------|---------------|------------------------------|---------------|
| | 2011 | 2010 | 2011 | 2010 |
| Operating revenues | \$ — | \$ 222 | \$ 43 | \$ 434 |
| Expenses and other, net | | | | |
| Operating expenses | 7 | 56 | 33 | 133 |
| Gain on sale of oil and gas properties | (2,546) | (308) | (2,546) | (308) |
| Other, net | (19) | 1 | (32) | (1) |
| Total expenses and other, net | (2,558) | (251) | (2,545) | (176) |
| Earnings before income taxes | 2,558 | 473 | 2,588 | 610 |
| Income tax (benefit) expense | (1) | 119 | 2 | 138 |
| Earnings from discontinued operations | \$ 2,559 | \$ 354 | \$ 2,586 | \$ 472 |

DEVON ENERGY CORPORATION
FINANCIAL AND OPERATIONAL INFORMATION

NON-GAAP FINANCIAL MEASURES

The United States Securities and Exchange Commission has adopted disclosure requirements for public companies such as Devon concerning Non-GAAP financial measures. (GAAP refers to generally accepted accounting principles). The company must reconcile the Non-GAAP financial measure to related GAAP information. Cash flow before balance sheet changes is a Non-GAAP financial measure. Devon believes cash flow before balance sheet changes is relevant because it is a measure of cash available to fund the company's capital expenditures, dividends and to service its debt. Cash flow before balance sheet changes is also used by certain securities analysts as a measure of Devon's financial results.

RECONCILIATION TO GAAP INFORMATION
(in millions)

| | Quarter Ended June 30, | |
|---|---------------------------|-----------------|
| | 2011 | 2010 |
| Net Cash Provided By Operating Activities (GAAP) | \$ 1,550 | \$ 1,397 |
| Changes in assets and liabilities — continuing operations | 47 | (566) |
| Changes in assets and liabilities — discontinued operations | 12 | (81) |
| Cash flow before balance sheet changes (Non-GAAP) | \$ 1,609 | \$ 750 |

Devon believes that using net debt for the calculation of "net debt to adjusted capitalization" provides a better measure than using debt. Devon defines net debt as debt less cash and short-term investments. Devon believes that because cash and short-term investments can be used to repay indebtedness, netting cash and short-term investments against debt provides a clearer picture of the future demands on cash to repay debt.

RECONCILIATION TO GAAP INFORMATION
(in millions)

| | June 30, | |
|------------------------------------|----------|----------|
| | 2011 | 2010 |
| Total debt (GAAP) | \$ 7,930 | \$ 5,624 |
| Adjustments: | | |
| Cash and short-term investments | 6,718 | 2,916 |
| Net debt (Non-GAAP) | \$ 1,212 | \$ 2,708 |
| | | |
| Total debt | \$ 7,930 | \$ 5,624 |
| Stockholders' equity | 21,428 | 16,830 |
| Total capitalization (GAAP) | \$29,358 | \$22,454 |
| | | |
| Net debt | \$ 1,212 | \$ 2,708 |
| Stockholders' equity | 21,428 | 16,830 |
| Adjusted capitalization (Non-GAAP) | \$22,640 | \$19,538 |