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DEVON ENERGY CORP/DE

FORM 8-K
(Current report filing)

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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): December 11, 2013 (December 11, 2013)

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

DELAWARE	**001-32318**	**73-1567067**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

333 WEST SHERIDAN AVE., OKLAHOMA CITY, OK	**73102-5015**
(Address of principal executive offices)	**(Zip Code)**

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

(Former Name or Former Address, if Changed Since Last Report)

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-commencements communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 8.01 Other Items.

Financial Statements Relating to the GeoSouthern Transaction and the Crosstex Transaction

As described in the Current Report on Form 8-K of the Company filed with the Securities Exchange Commission (the "SEC") on November 22, 2013, on November 20, 2013, Devon Energy Production Company, L.P., an Oklahoma limited partnership ("Buyer") and wholly-owned subsidiary of the Company, entered into a Purchase and Sale Agreement (the "Purchase Agreement") with GeoSouthern Intermediate Holdings, LLC ("GeoSouthern Intermediate"), and, solely with respect to certain sections specified therein, GeoSouthern Energy Corporation ("GeoSouthern"). Pursuant to the Purchase Agreement, Buyer has agreed to acquire (the "GeoSouthern Transaction") GeoSouthern Intermediate's interests in certain affiliates that own certain oil and gas properties, leasehold mineral interests and related assets located in the Eagle Ford Shale in South Texas (collectively, the "GeoSouthern Properties").

As described in the Current Report on Form 8-K of the Company filed with the SEC on October 22, 2013, on October 21, 2013, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Devon Gas Services, L.P., a Delaware limited partnership and an indirect wholly-owned subsidiary of the Company ("Devon Gas Services"), Acacia Natural Gas Corp I, Inc., a Delaware corporation and an indirect wholly-owned subsidiary of the Company ("New Acacia"), Crosstex Energy, Inc., a Delaware corporation ("Crosstex"), New Public Rangers, L.L.C., a Delaware limited liability company and an indirect wholly-owned subsidiary of Devon Gas Services ("New Public Rangers"), Boomer Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of New Public Rangers ("Devon Merger Sub"), and Rangers Merger Sub, Inc., a Delaware corporation and a wholly-owned subsidiary of New Public Rangers ("Crosstex Merger Sub"). The Merger Agreement provides that, upon the terms and subject to the conditions set forth in the Merger Agreement, Crosstex Merger Sub will merge with and into Crosstex, with Crosstex surviving and becoming a wholly-owned subsidiary of New Public Rangers (the "Crosstex Merger"), and Devon Merger Sub will merge with and into New Acacia, with New Acacia surviving and becoming a wholly-owned subsidiary of New Public Rangers (the "Devon Merger," and together with the Crosstex Merger, the "Crosstex Transaction"). We refer to the GeoSouthern Transaction and the Crosstex Transaction as the "Proposed Transactions."

The Company is filing with this Current Report on Form 8-K certain financial information related to the GeoSouthern Transaction and the Crosstex Transaction. Specifically, this Current Report on Form 8-K provides: (i) the audited historical financial information of GeoSouthern Intermediate as of and for the year ended December 31, 2012, attached hereto as Exhibit 99.1; (ii) the unaudited historical financial information of GeoSouthern Intermediate as of September 30, 2013 and for the nine-month periods ended September 30, 2013 and 2012, attached hereto as Exhibit 99.2 and (iii) the unaudited pro forma consolidated financial statements of the Company and its directly owned and indirectly owned subsidiaries, in each case relating to the GeoSouthern Transaction and the Crosstex Transaction, attached hereto as Exhibit 99.3. The information in Exhibit 99.1, Exhibit 99.2 and Exhibit 99.3 are incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(a) Financial Statements of Businesses Acquired.

The GeoSouthern Intermediate audited financial statements as of and for the year ended December 31, 2012 are attached hereto as Exhibit 99.1 and incorporated herein by reference. The GeoSouthern Intermediate unaudited financial statements as of September 30, 2013 and for the nine-month periods ended September 30, 2013 and 2012 are attached hereto as Exhibit 99.2 and incorporated herein by reference.

(b) Pro Forma Financial Information.

The Company's unaudited pro forma consolidated financial statements as of and for the nine-month period ended September 30, 2013 and for the year ended December 31, 2012 are attached hereto as Exhibit 99.3 and incorporated herein by reference.

These unaudited pro forma consolidated financial statements are not necessarily indicative of the financial position or results of operations that would have occurred had the Proposed Transactions been effected on the assumed dates. Additionally, future results may vary significantly from the results reflected in the unaudited pro forma consolidated statement of operations due to normal production declines, changes in prices, future transactions, the exclusion of various operating expenses and other factors.

(d) Exhibits.

Exhibit 23.1	Consent of KPMG LLP
Exhibit 99.1	GeoSouthern Intermediate Audited Financial Statements
Exhibit 99.2	GeoSouthern Intermediate Unaudited Financial Statements
Exhibit 99.3	Devon Pro Forma Financial Information

The information in this Form 8-K furnished pursuant to Item 7.01 and Exhibit 99.1 attached hereto shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, nor shall such information be deemed incorporated by reference in any filing under the Securities Act, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

SIGNATURES

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

Date: December 11, 2013

Devon Energy Corporation

By: /s/ Carla D. Brockman
Carla D. Brockman
Vice President, Corporate Governance and Secretary

EXHIBIT INDEX

Exhibit No.	Description
23.1*	Consent of KPMG LLP
99.1*	GeoSouthern Intermediate Audited Financial Statements
99.2*	GeoSouthern Intermediate Unaudited Financial Statements
99.3*	Devon Pro Forma Financial Information

* Filed herewith.

Exhibit 23.1

Consent of Independent Auditors

The Sole Member
GeoSouthern Intermediate Holdings, LLC:

We consent to the incorporation by reference in the registration statement (Nos. 333-178453) on Form S-3, and the registration statements (Nos. 333-68694, 333-47672, 333-44702, 333-104933, 333-104922, 333-103679, 333-159796, 333-127630, 333-179181, and 333-182198) on Form S-8 of Devon Energy Corporation of our report dated December 10, 2013, with respect to the consolidated balance sheet of GeoSouthern Intermediate Holdings, LLC as of December 31, 2012, and the related consolidated statements of operations, changes in member's equity, and cash flows for the year ended December 31, 2012, which report appears in the Form 8-K of Devon Energy Corporation dated December 11, 2013.

/s/ KPMG LLP

Houston, Texas
December 11, 2013

Exhibit 99.1

GEOSOUTHERN INTERMEDIATE HOLDINGS, LLC AND SUBSIDIARIES

Consolidated Financial Statements

December 31, 2012

(With Independent Auditors' Report Thereon)

GEOSOUTHERN INTERMEDIATE HOLDINGS, LLC
AND SUBSIDIARIES

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Independent Auditors' Report

The Sole Member
GeoSouthern Intermediate Holdings, LLC:

We have audited the accompanying consolidated financial statements of GeoSouthern Intermediate Holdings, LLC and its subsidiaries, which comprise the consolidated balance sheet as of December 31, 2012, and the related consolidated statements of operations, changes in member's equity, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of GeoSouthern Intermediate Holdings, LLC and its subsidiaries as of December 31, 2012, and the results of their operations and their cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Accounting principles generally accepted in the United States of America require that the supplemental information relating to oil and natural gas producing activities be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the United States Financial Accounting Standards Board who as described in Accounting Standards Codification Topic 932-235-50 considers the supplemental information to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

/s/ KPMG LLP

Houston, Texas
December 10, 2013

GEOSOUTHERN INTERMEDIATE HOLDINGS, LLC
AND SUBSIDIARIES

Consolidated Balance Sheet

December 31, 2012

Assets	
Current assets:	
Cash and cash equivalents	$ 106,357,701
Restricted cash	7,016,141
Receivables:	
Accounts receivable	53,803,632
Accounts receivable – affiliates	3,763,810
Accrued revenues	63,704,125
Prepaid expenses	15,261,472
Oil inventory	577,174
Total current assets	250,484,055
Oil and gas properties, successful efforts method:	
Proved properties	1,140,387,363
Unproved properties	76,268,821
Less accumulated depreciation, depletion, amortization, and impairment of proved oil and gas properties	(370,967,391)
Net oil and gas properties	845,688,793
Other property and equipment	27,056,190
Deferred financing fees, net of amortization and impairment	4,159,263
Total assets	$1,127,388,301
Liabilities and Member's Equity	
Current liabilities:	
Accounts payable	$ 5,308,411
Accounts payable – affiliates	62,937,477
Accounts payable – Beal Bank	662,985
Accrued liabilities	174,412,946
Total current liabilities	243,321,819
Long-term liabilities:	
Long-term debt	542,250,000
Asset retirement obligation	2,385,166
Deferred income taxes	7,243,390
Total liabilities	795,200,375
Member's equity	332,187,926
Total liabilities and member's equity	$1,127,388,301

See accompanying notes to consolidated financial statements.

GEOSOUTHERN INTERMEDIATE HOLDINGS, LLC
AND SUBSIDIARIES

Consolidated Statement of Operations

Year ended December 31, 2012

Operating revenues:	
Oil sales	$630,261,117
Natural gas sales	107,126,102
Natural gas liquids sales	19,685,593
Marketing revenues	70,526,213
Total revenues	827,599,025
Operating expenses:	
Production taxes	38,099,424
Lease operating expenses	61,103,137
Marketing expenses	56,165,864
Depreciation, depletion, and amortization	242,394,733
Exploration expenses	69,663,184
General and administrative	46,738,756
Total expenses	514,165,098
Income from operations	313,433,927
Other income and (expenses):	
Interest expense	(5,594,109)
Gain on sale of properties	923,528
Total other income and (expenses)	(4,670,581)
Income before income taxes	308,763,346
Income tax expense	3,592,266
Net income	$305,171,080

See accompanying notes to consolidated financial statements.

GEOSOUTHERN INTERMEDIATE HOLDINGS, LLC
AND SUBSIDIARIES

Consolidated Statement of Changes in Member's Equity

Year ended December 31, 2012

	Additional paid-in capital	Accumulated income	Total equity
Balance at December 31, 2011	$ 313,280,820	183,736,026	497,016,846
Member distributions	(470,000,000)	—	(470,000,000)
Net income	—	305,171,080	305,171,080
Balance at December 31, 2012	$(156,719,180)	488,907,106	332,187,926

See accompanying notes to consolidated financial statements.

GEOSOUTHERN INTERMEDIATE HOLDINGS, LLC
AND SUBSIDIARIES

Consolidated Statement of Cash Flows

Year ended December 31, 2012

Net income	$ 305,171,080
Cash flows from operating activities:	
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation, depletion, and amortization	242,394,733
Exploration expenses	65,593,967
Amortization and impairment of deferred financing fees	2,775,151
Gain on sale of properties	923,528
Deferred income taxes	2,285,658
Changes in assets and liabilities:	
Accounts receivable	11,273,750
Accounts receivable – affiliates	8,843,791
Prepaid expenses	15,496
Oil inventory	(577,174)
Accounts payable	3,146,720
Accounts payable – affiliates	(25,714,127)
Accounts payable – Beal Bank	(538,187)
Accrued liabilities	4,430,408
Net cash provided by operating activities	620,024,794
Cash flows from investing activities:	
Additions to oil and gas properties	(494,642,858)
Proceeds from sale of oil and gas properties	1,671,355
Purchase of other property and equipment	(17,910,497)
Restricted cash	(7,016,141)
Net cash used in investing activities	(517,898,141)
Cash flows from financing activities:	
Proceeds from long-term debt	403,000,000
Deferred financing fees	(2,634,038)
Member distributions	(470,000,000)
Net cash used in financing activities	(69,634,038)
Net increase in cash	32,492,615
Cash and cash equivalents, at beginning of period	73,865,086
Cash and cash equivalents, at end of period	$ 106,357,701

See accompanying notes to consolidated financial statements.

(1) Organization and Nature of Operations

GeoSouthern Intermediate Holdings, LLC (the Company) is a Delaware limited liability company headquartered in The Woodlands, Texas with subsidiaries engaged in crude oil and natural gas property acquisition, exploration, development, production, and marketing and midstream activities in the onshore United States. The Company's only assets are its equity interests in four wholly owned, limited liability companies: GeoSouthern DeWitt Properties, LLC (DeWitt), GeoSouthern Lavaca Properties, LLC (Lavaca), GeoSouthern Fayette Properties, LLC (Fayette) and Eagle Ford Field Services, LLC (Field Services). The Company was formed on November 3, 2011.

These financial statements reflect the financial position of the Company as of December 31, 2012 and the results of operations, changes in member's equity, and cash flows of the Company for the year then ended. The contributed assets and liabilities of DeWitt, Lavaca, Fayette, and Field Services were recorded by the Company at GeoSouthern Energy Corporation's (the Parent) historical cost as this was a transaction between entities under common control.

On January 7, 2011, the Parent entered into a transaction with affiliates of Blackstone Capital Partners, LP (Blackstone). Under the terms of this transaction (the Blackstone Transaction), Blackstone and the Parent formed GeoSouthern Eagle Ford Development, LLC (Eagle Ford). The Parent owns a controlling interest in Eagle Ford and Blackstone owns a minority interest in Eagle Ford. In consideration for its interest, the Parent transferred all of the equity interest in DeWitt to Eagle Ford and DeWitt became a wholly owned subsidiary of Eagle Ford. In consideration for its interest, Blackstone contributed cash to Eagle Ford. Also in connection with the Blackstone Transaction, the Parent transferred certain leasehold and oil and gas properties located in Lavaca and Fayette Counties, Texas to newly formed, wholly owned subsidiaries of Eagle Ford: Lavaca and Fayette.

In connection with the Revolving Credit Facility (as defined in note 5 – *Long-Term Debt*) DeWitt, Lavaca and Fayette (the Borrowers) entered into on November 8, 2011, Eagle Ford formed and transferred the equity interest in the Borrowers to the Company on November 3, 2011. The Company is the guarantor of the Borrowers' obligations under the Revolving Credit Facility and a wholly owned subsidiary of Eagle Ford.

On January 24, 2012, the Parent transferred ownership of Field Services to the Company, and Field Services became a Borrower under the Revolving Credit Facility on February 17, 2012. This transaction is considered to be a transfer between entities under common control.

The Company, together with its wholly owned subsidiaries, seeks to build member's equity through profitable growth in reserves, production and midstream projects, which management expects will include investing in and profitably exploiting existing development programs and acreage positions as well as growth through exploration and acquisitions. Substantially all of the Company's revenues are generated through the sale of oil and natural gas production. The Company's oil and gas assets are focused in the liquids-rich portion of the Eagle Ford Shale play in South Texas.

(a) DeWitt

DeWitt holds leases located in the Black Hawk Field covering portions of DeWitt, Karnes, and Gonzales Counties, Texas. Petrohawk Operating Company (Petrohawk) is the operator during the drilling and completion phase, and the Parent is the operator after the wells are placed on production.

(b) Lavaca

Lavaca holds leases in Lavaca County, Texas. The Parent is the operator of drilling, completion, and production across the majority of Lavaca's acreage. Lavaca has an area of mutual interest covering portions of its acreage with Magnum Hunter Resources Corporation (MHR), and MHR operates certain wells therein.

(c) Fayette

Fayette holds leases in Fayette County, Texas. These leaseholds consist entirely of unproved properties. As of December 31, 2012, Fayette had no revenues from its oil and gas operations, therefore, its activities are considered to be those of a development stage enterprise.

(d) Field Services

Field Services provides crude oil marketing and midstream services to both affiliated companies and third parties. At December 31, 2012, Field Services was constructing a permanent crude oil terminal and barge loading facility.

The Company's current and future revenues, profitability, and cash flows depend on, among other things, its subsidiaries' ability to find, acquire, develop, and produce oil and gas properties and provide crude oil marketing and midstream services at a reasonable cost. Since inception, the Company has relied on net cash flow from oil and gas production and other funding in the form of equity contributions from its sole member and long-term debt, to acquire, explore, develop, produce, and market production from oil and gas properties and to pay general company operating expenses.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Company presents its financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated upon consolidation.

(b) Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original or remaining maturity of three months or less to be cash equivalents. The Company maintains cash balances in deposit accounts with major financial institutions, which at times exceed federally insured limits. Deposits in the United States of America are guaranteed by the Federal Deposit Insurance Corporation (FDIC). In July 2010, the FDIC made permanent the deposit insurance maximum of $250,000 per depositor and in November 2010 extended unlimited insurance for noninterest bearing accounts through December 31, 2012. After this date, the deposit insurance maximum of $250,000 per depositor applies to noninterest bearing accounts. The Company monitors the financial condition of the financial institutions in which it maintains such deposits and has experienced no losses associated with these accounts.

(c) Restricted Cash

Restricted cash of $7.0 million on the consolidated balance sheet at December 31, 2012 represents cash the Company has deposited into a separate account in accordance with the terms of a Standby Letter of Credit in connection with constructing the permanent crude oil terminal and barge loading facility at the Port of Victoria.

(d) Accounts Receivable

Trade accounts receivables are recorded at the invoiced amount and do not bear interest. The Company sells crude oil, natural gas, and natural gas liquids. In addition, the Company participates with other parties in the operation of oil and gas properties. Substantially all of the Company's accounts receivables are due from either purchasers of crude oil, natural gas, and natural gas liquids or participants in oil and gas properties in which the Company has an economic interest.

(e) Oil Inventory

The Company's inventory consists of crude oil. Inventory is valued at lower of cost or market, using the average cost method.

(f) Oil and Gas Properties

The Company applies the successful efforts method of accounting for oil and gas properties. Acquisition costs and costs of drilling exploratory wells are capitalized pending determination of whether proved reserves can be attributed to the field as a result of drilling such exploratory wells. Unproved leasehold costs are transferred to proved oil and gas properties to the extent they are associated with successful exploration activities.

Depreciation, Depletion, and Amortization (DD&A) : Costs of drilling, completing, and equipping successful exploratory wells, development wells, costs to construct or acquire facilities and associated asset retirement costs are depreciated on a unit-of-production basis over the remaining life of total estimated proved developed oil and gas reserves by field. Costs of acquiring proved properties, including leasehold acquisition costs transferred from unproved leaseholds, are depleted on a unit-of-production basis over the remaining life of total estimated proved reserves. DD&A expense for the Company's oil and natural gas properties was approximately $242.4 million for the year ended December 31, 2012.

Proved Property Impairment : The Company reviews its oil and gas properties for impairment when events and circumstances indicate a significant decline in the recoverability of the carrying value of such properties. The Company estimates the undiscounted future cash flows expected in connection with the property and compares such undiscounted future cash flows to the carrying value of the property to determine if the carrying amount is recoverable. If the carrying amount of the property exceeds its estimated undiscounted future cash flows, the carrying amount of the property is reduced to its estimated fair value. The factors used to determine fair value are subject to management's judgment and expertise and include, but are not limited to, the present value of future cash flows, net of estimated operating and development costs using estimates of proved reserves, future commodity pricing, future production estimates, anticipated capital expenditures, and a discount rate commensurate with risk and current market conditions associated with realizing the expected cash flows projected.

Exploration Expenses : Under successful efforts, exploratory, geological and geophysical costs, delay rentals, and amortization and impairment of unproved leasehold costs are charged to exploration expenses as incurred. If management determines that commercial quantities of hydrocarbons have not been discovered, capitalized costs associated with exploratory wells are charged to exploration expenses. Acquisition costs of unproved leaseholds are assessed for impairment, on a group basis, during the holding period. This impairment will generally be based on the Company's future development plans. See note 4 – *Exploration Expenses* for additional information.

(g) Other Property and Equipment

Other property and equipment includes the permanent crude oil terminal and barge loading facility located at the Port of Victoria which was in progress at December 31, 2012.

(h) Capitalized Interest

The Company capitalizes its interest costs related to financing arrangements for which the primary use of proceeds is to fund activities that are necessary to prepare the Company's oil and gas assets for their intended use and to fund the construction of midstream capital projects. Once the oil and gas assets are placed into production or the midstream capital projects are placed into operation, the capitalized costs of that property are considered to be contributory to the earnings activities of the Company and no longer qualify for interest capitalization. Capitalized interest is attached to the qualifying costs on which the interest was computed and is amortized or tested for impairment in the same manner as those costs. The Company incurred $6.8 million of interest charges of which $4.0 million were capitalized to oil and gas properties or other property and equipment in the year ended December 31, 2012. Cash paid for interest in the year ended December 31, 2012 was $6.7 million.

(i) Asset Retirement Obligations

The Company recognizes the present value of estimated future plugging, site restoration, and abandonment costs of its oil and gas properties in both assets and liabilities. The fair value of the liability for an asset retirement obligation (ARO) is recognized in the period in which the legal obligation to retire an asset is incurred.

The Company determines the ARO by calculating the present value of estimated cash flows related to the liability. Estimating the future ARO requires management to make estimates, assumptions, and judgments regarding such factors as plugging and abandonment amounts, timing of settlements, the credit-adjusted risk-free rate to be used and inflation rates. The liability is then accreted each period until it is settled or the asset is sold, at which time the liability is reversed and any gain or loss resulting from the settlement of the obligation is recorded. The initial fair value of the ARO is capitalized and subsequently depreciated or amortized as part of the carrying amount of the related asset. There are no assets legally restricted for the purpose of settling AROs. See note 3 – *Asset Retirement Obligations* for additional information.

(j) Other Long-Term Assets

Other long-term assets consist of deferred financing fees, net of amortization and impairment. Costs incurred in connection with obtaining debt financing are capitalized and amortized to interest expense using the straight-line method over the term of the applicable credit facility. Amortization expense was $0.9 million for the year ended December 31, 2012. An impairment of $1.8 million of deferred financing fees in relation to the borrowing base redeterminations was recorded in the year ended December 31, 2012. See note 5 – *Long-Term Debt* for additional information.

(k) Income Taxes

The Company is a limited liability company and is wholly owned by a single member. As such, the Company is considered a disregarded entity for federal income tax purposes and does not file a federal income tax return. The Company's items of income, loss, and deduction are reported on the federal income tax return of its wholly owned regarded member. The Company is treated as a partnership for state income tax purposes. The Company's assets are 100% located in the state of Texas, and therefore, the Company is only subject to Texas Margin Tax. See note 6 – *Income Taxes* for additional information.

(l) Revenue Recognition

The Company records revenues from the sales of crude oil, natural gas and natural gas liquids (NGLs) when the product is delivered at a fixed or determinable price, title has transferred and collectability is reasonably assured. The Company has elected the sales method to account for natural gas production imbalances. In accordance with the sales method, a liability is recorded by a party when remaining reserves are insufficient to offset the imbalance. The Company did not have any significant imbalance positions at December 31, 2012. Sales of crude oil and natural gas generally occur at the wellhead or central gathering facility. When sales of oil and gas occur at locations other than the wellhead, the Company accounts for costs incurred to transport production volumes to the delivery point as lease operating expenses.

Field Services engages in the purchase of crude oil from the Parent and certain third parties and markets the product to independent purchasers. Marketing revenues are recognized when the product has been delivered to a custody transfer point at a fixed or determinable sales price, title has transferred, and the collection of revenue from the sale is reasonably assured. For the year ended December 31, 2012, the Company recorded gross revenue of $1,233.2 million and cost of sales of $1,162.7 million resulting in net marketing revenue of $70.5 million as reported in the consolidated statement of operations.

(m) Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management of the Company to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amount of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Changes in these assumptions, judgments, and estimates will occur as a result of the passage of time and the occurrence of future events and, accordingly, actual results could differ from amounts initially established.

The most significant areas requiring the use of assumptions, judgments, and estimates relate to determining the carrying value of oil and gas properties, volumes of oil and natural gas reserves used in calculating DD&A, the amount of expected future cash flows used in determining possible impairments of proved oil and gas properties, and the amount of future capital costs used in these calculations. Assumptions, judgments, and estimates are also required in determining AROs and estimating fair values of derivative instruments and commitments and contingencies.

(n) Commitments and Contingencies

The Company may be subject to various legal proceedings and claims which arise in the ordinary course of business. The Company believes that the final disposition of such matters will not have a material adverse effect on the Company’s financial position or results of operations.

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, environmental matters, and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. See note 7 – *Commitments and Contingencies* for additional information.

(3) Asset Retirement Obligations

The Company has AROs arising from plugging, abandonment, and lease restoration costs as a result of regulatory requirements to perform certain asset retirement activities at the expiration of a well’s productive life. The liability is initially measured at fair value and subsequently is adjusted for accretion expense and changes in the amount or timing of the estimated cash flows. The accretion expense is recorded as a component of DD&A in the Company’s consolidated statement of operations. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset’s remaining useful life.

The following table presents the activity for the AROs for the year ended December 31, 2012 (in thousands):

Asset retirement obligation, beginning of period	$1,136
Additional obligation incurred	1,152
Changes in estimates	3
Accretion expense	94
Asset retirement obligation, end of period	$2,385

(4) Exploration Expenses

As of December 31, 2011, Lavaca had one exploratory well that was drilled in 2011 with associated costs of $5.0 million that were capitalized pending determination of proved reserves. In September of 2012, the Company concluded that this well did not encounter proved reserves therefore the capitalized costs are included in exploration expenses.

The Company records impairment of unproved leasehold costs when the determination is made to abandon a lease. During 2012, the Company recorded an impairment of unproved leasehold costs of $60.6 million related to leases abandoned. This impairment is included in exploration expenses on the consolidated statement of operations in the year ended December 31, 2012.

(5) Long-Term Debt

Beal Bank Credit Facility

On January 1, 2011, DeWitt was party to a Senior Secured Credit Facility (the Credit Facility) with CLMG Corp. as administrative agent and Beal Bank Nevada as Lender (collectively, Beal Bank). The Credit Facility permitted DeWitt to borrow up to $125 million through June 2014, contingent upon (among other factors) DeWitt’s compliance with certain financial and proved reserve-based coverage ratios and the receipt of credit committee approval from Beal Bank.

Under the terms of the Credit Facility, DeWitt was obligated to convey to Beal Bank a 10.0% net profits interest, proportionately reduced to DeWitt’s interest, in certain wells located in the Black Hawk Field spud on or after June 29, 2010. DeWitt delivered to Beal Bank a net profits interest in 26 wells and has no obligation to provide Beal Bank with a net profits interest in any additional properties. The net profits interests in the 26 subject wells expire on July 1, 2014.

Revolving Credit Facility

On November 8, 2011, DeWitt retired the existing credit facility with Beal Bank and together with the Company, Lavaca, and Fayette, entered into a new credit agreement (the Revolving Credit Facility) with a group of financial institutions to finance the development of oil and gas properties and provide working capital for the Borrowers. On February 17, 2012, the Borrowers amended the Revolving Credit Facility to designate Field Services as an additional Borrower.

The initial borrowing base of the Revolving Credit Facility was $250.0 million with a $30.0 million sublimit for letters of credit and a $15.0 million sublimit for swing line loans. On April 26, 2012 the borrowing base was increased by $300.0 million and on November 16, 2012 the borrowing base was increased by $150.0 million resulting in a $700.0 million borrowing base as of December 31, 2012. In connection with the initial closing and subsequent borrowing base redeterminations, DeWitt incurred financing fees of $2.6 million in the year ended December 31, 2012. DeWitt is the lead borrower under the Revolving Credit Facility and paid the financing fees directly on behalf of all Borrowers. These fees were included as increases to the deferred financing fee balance. As of December 31, 2012, $464.3 million, $53.0 million, and $25.0 million were outstanding under the Revolving Credit Facility with DeWitt, Lavaca, and Field Services, respectively. No letters of credit or swing line loans were outstanding at December 31, 2012. The borrowing base is subject to semi-annual redeterminations or interim redeterminations as determined by the lenders or the Borrowers.

The obligations under the Revolving Credit Facility are secured by perfected real property mortgages on oil and gas reserves of the Borrowers included in the most recent reserve report and equity interests in the Borrowers. The obligations of the Borrowers are guaranteed by the Company. The maturity date for borrowings under the Revolving Credit Facility is November 8, 2016.

Pursuant to the credit agreement, interest on the Revolving Credit Facility borrowings is calculated using either the base rate plus applicable margin or the Eurodollar rate plus applicable margin. The base rate is defined as the higher of (a) the prime rate established by the administrative agent, (b) the federal funds rate in effect plus 0.50%, and (c) the daily one-month Eurodollar plus 1.00%. The applicable margin ranges from 0.75% to 1.75% for base rate loans and from 1.75% to 2.75% for Eurodollar loans, depending on the borrowing base utilization percentage. In addition to interest, the lenders receive a commitment fee on the unutilized available commitments equal to 0.38% or 0.50% per annum depending on the borrowing base utilization percentage. Interest and commitment fees are payable on a quarterly basis. The average interest rate on loan amounts outstanding at December 31, 2012 was 2.59%.

The credit agreement contains various covenants that, among other things, require the Company to maintain a consolidated total debt to consolidated earnings before interest, taxes, depreciation, amortization, and exploration expenses (EBITDAX) ratio of less than 4.0 to 1.0 for the most recently completed four fiscal quarter period beginning with the fiscal quarter ending March 31, 2012 and to maintain a minimum current ratio of at least 1.0 to 1.0.

(6) Income Taxes

Income tax expense for the year ended December 31, 2012 consisted of the following (in thousands):

Federal:	
Current	$ —
Deferred	—
	—
State:	
Current	1,306
Deferred	2,286
	3,592
Total income tax expense	$3,592

The reconciliation of income tax expense computed at the United States federal statutory income tax rates for the year ended December 31, 2012 is as follows (in thousands):

	Amount	Percentage
Book income for 2012	$ 308,763	N/A
Income tax expense at United States statutory rates	108,067	35.00%
Less income tax expense for entity not subject to federal income tax	(108,067)	(35.00)
Add state income tax expense for Texas Margin Tax	3,592	1.16
Total income tax expense	$ 3,592	1.16%

Current income tax expense (benefit) is settled with the Company’s sole regarded member through an intercompany income tax receivable/payable.

The Company’s $7.2 million net deferred income tax liability at December 31, 2012 consists primarily of the tax effect on temporary differences related to the Company’s oil and gas properties.

(7) Commitments and Contingencies

Field Services has a ground lease located at the Port of Victoria under an operating lease effective August 4, 2011 with a term of ten years.

Future minimum lease payments for each of the five years subsequent to December 31, 2012 are as follows (in thousands):

2013	$ 159
2014	159
2015	159
2016	167
2017	183
Thereafter	701
Total	$1,528

Field Services had capital commitments of $10.8 million for construction of the permanent crude oil terminal and barge loading facility at the Port of Victoria as of December 31, 2012 to be paid in the year ended December 31, 2013.

(8) Transactions with Affiliates and Related Parties

Affiliates and related parties include a party that controls, is controlled by, or is under common control with the Company, members and management of the Company and members of their immediate families.

On January 7, 2011, Lavaca and Fayette received $13.6 million and $14.5 million, respectively, in capital contributions from the Parent in the form of an assignment of various oil and gas properties. On January 24, 2012, the Parent transferred ownership of Field Services to the Company.

The Parent serves as the operator of certain of DeWitt's and Lavaca's properties covered under joint operating agreements specific to each production unit. The Parent markets DeWitt's and Lavaca's operated production volumes. The Parent receives all revenues from operated crude oil and natural gas sales and disperses such funds to DeWitt, Lavaca, and other working and royalty interest owners based on their revenue interests in the subject properties. During the year ended December 31, 2012, Field Services purchased 10.3 million barrels of gross production attributable to the Black Hawk Field from the Parent for an amount of $985.2 million.

Field Services borrowed $7.0 million from DeWitt in January of 2012 to fund its capital program. On March 1, 2012, Lavaca and Field Services borrowed $18.0 million and $10.0 million, respectively, directly from the financial institutions and settled their payables of $12.8 million and $7.0 million, respectively, with DeWitt. The Borrowers under the Revolving Credit Facility will no longer make loans to each other and will borrow monies directly from the financial institutions.

In connection with the Blackstone Transaction, Eagle Ford entered into a Management Services Agreement with the Parent under which the Parent agreed to provide certain management and general and administrative support services to Eagle Ford. In consideration for such services, the Parent is entitled to receive a Management Fee in an amount stated in the Company's annual budget approved by its Board of Managers. The Management Fee is compared to actual results on an annual basis and correcting entries are made as deemed appropriate by management. During the year ended December 31, 2012, the Company paid to the Parent an aggregate of approximately $23.0 million in Management Fees. The Management Fees are allocated to DeWitt, Lavaca, Fayette, and Field Services based on total revenues. Management considers total revenues an appropriate allocation base for the Management Fees.

In connection with the Blackstone Transaction, Eagle Ford entered into an Advisory Services Agreement effective as of October 1, 2012 with the Parent and Blackstone under which the Parent and Blackstone agreed to provide certain advisory services to the Eagle Ford. In consideration for such services, the Parent and Blackstone are entitled to receive a Monitoring Fee pro rata in accordance with their respective common membership interests for each calendar quarter an aggregate amount equal to 2.00% of EBITDAX of Eagle Ford for such quarter. During the year ended December 31, 2012, Eagle Ford paid to the members an aggregate of $15.5 million in Monitoring Fees. The Monitoring Fees are allocated to the subsidiaries based on EBITDAX. Management considers EBITDAX an appropriate allocation base for the Monitoring Fees.

(9) Subsequent Events

The restriction on cash in accordance with Field Services' Standby Letter of Credit expired on January 27, 2013. The permanent crude oil terminal and barge loading facility located at the Port of Victoria was operational in March of 2013.

DeWitt entered into a term purchase contract in March of 2013 with a contract period of May 1, 2013 through April 30, 2014. Over the year term of the contract, DeWitt is obligated to deliver 456,000 barrels of natural gas liquids at market terms.

On January 1, 2013, Field Services entered into a Crude Oil Terminal and Storage agreement and Crude Oil Transportation and Deficiency agreement with DeWitt for a period of ten years and for volumes of up to 46,000 barrels per day at fixed fees. The commencement date of said agreements is yet to be determined and is contingent upon the completion of Field Services' planned crude oil pipeline from the Black Hawk Field to the Port of Victoria.

On April 26, 2013 the Revolving Credit Facility borrowing base was increased by $100.0 million and on October 3, 2013 the borrowing base was increased by $300.0 million resulting in a $1,100.0 million borrowing base. DeWitt incurred financing fees of $1.6 million in connection with these subsequent borrowing base redeterminations.

On November 1, 2013, Lavaca purchased gas gathering assets from the Parent for $3.0 million.

On November 20, 2013, the Parent and the Company announced they had entered into a Purchase and Sale Agreement with Devon Energy Production Company, L.P. (Devon) under which Devon would acquire all of the member interests of DeWitt, Lavaca and Field Services outstanding as of November 20, 2013. The transaction has a purchase price of $6.0 billion and an effective date of September 1, 2013. The transaction is subject to customary purchase price adjustments, terms and conditions, regulatory approvals, and is expected to close in the first quarter of 2014.

Costs Incurred in Oil and Natural Gas Property Acquisition, Exploration and Development Activities

The following table presents the costs incurred in oil and natural gas property acquisition, exploration and development, whether capitalized or expensed, for the year ended December 31, 2012 (in thousands):

Property acquisition costs:	
Proved	$ —
Unproved	—
Exploration costs	4,052
Development costs	489,613
Total costs incurred	$493,665

Development costs incurred in the table above includes $1.1 million in asset retirement obligations.

Oil and Natural Gas Capitalized Costs

The following table presents the aggregate capitalized costs related to oil and natural gas production activities with applicable accumulated depletion and amortization for the year ended December 31, 2012 (in thousands):

Proved properties:	
Leasehold acquisition	$ 80,623
Development	1,059,764
Unproved Properties	76,269
	1,216,656
Less accumulated depletion and amortization	(370,967)
	$ 845,689

Results of Oil and Natural Gas Producing Activities

The following table presents the results of operations for oil and natural gas producing activities, which excludes marketing revenues, marketing expenses, general and administrative expenses, and interest expense, for the year ended December 31, 2012 (in thousands):

GEOSOUTHERN INTERMEDIATE HOLDINGS, LLC
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Supplemental Information on Oil and Gas Operations (Unaudited)

December 31, 2012

Revenues and other:	
Oil, natural gas and natural gas liquid	$757,073
Production costs:	
Production taxes	38,099
Lease operating expenses	61,103
	99,202
Other costs:	
Depletion and amortization	242,395
Exploration expenses	69,663
Gain on sale of properties	(924)
Income tax expense	3,450
	314,584
Results of operations	$343,287

Since the Company is a limited liability company and is wholly owned by a single member, there is no federal tax provision included in the results above. See notes 2 (k) and 6 – *Income Taxes* for additional information. Income taxes related to the Company's marketing operations of $0.1 million are excluded.

Proved Oil, Natural Gas and NGL Reserves

Proved reserves are estimated quantities of oil, natural gas, and NGL which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs using existing economic and operating conditions. Estimating oil, natural gas, and NGL reserves is complex and inexact because of the numerous uncertainties inherent in the process. The Company utilizes both public and proprietary geological, geophysical, petrophysical, engineering and production data to establish with reasonable certainty the continuity of the Eagle Ford formation across its acreage position. This includes seismic data and interpretations, open hole log information, petrophysical analysis of log data, and core data.

The proved reserves of oil, natural gas and NGL of the Company have been prepared by the independent engineering firms, Cawley, Gillespie & Associates, Inc. and W.D. Von Gonten & Co. for the years ended December 31, 2011 and 2012, respectively. In accordance with SEC regulations, reserves at December 31, 2011 and December 31, 2012, were estimated using the average price during the 12-month period, determined as an unweighted average of the first-day-of-the-month price for each month, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions. An analysis of the change in estimated quantities of oil, natural gas and NGL reserves, all of which are located within the U.S., for the year ended December 31, 2012 is shown below:

	Gas (MMcf)	Oil (MBbls)	NGL (MBbls)	Total (MBoe)
Proved developed and undeveloped reserves:				
Beginning of year	210,317	54,395	—	89,448
Revisions of previous estimates	(1,977)	19,332	27,240	46,243
Purchases of reserves in place	—	—	—	—
Extensions, discoveries and other additions	294,146	96,554	40,402	185,980
Production	(21,619)	(6,698)	(601)	(10,903)
End of year	480,867	163,583	67,041	310,768
Proved developed reserves:				
Beginning of year	54,461	14,678	—	23,755
End of year	77,443	29,151	10,794	52,852
Proved undeveloped reserves:				
Beginning of year	155,856	39,717	—	65,693
End of year	403,424	134,432	56,247	257,916

Natural gas reserves are converted to Boe at the rate of six Mcf per Bbl of oil, based upon the approximate relative energy content of gas and oil.

Proved reserves increased by approximately 221,320 MBoe to approximately 310,768 MBoe for the year ended December 31, 2012, from 89,448 MBoe for the year ended December 31, 2011. The year ended December 31, 2012, includes 46,243 MBoe of positive revisions of previous estimates, due primarily to asset performance and the Company's ability to report NGL volumes pursuant to a new gas services agreement. In addition, extensions and discoveries from 453 Eagle Ford locations contributed approximately 185,980 MBoe to the increase in proved reserves.

At December 31, 2012, the Company had 578 proved undeveloped well locations representing 257,916 MBoe of proved undeveloped reserves as compared to 258 proved undeveloped well locations representing 65,693 MBoe of proved undeveloped reserves at December 31, 2011. Proved undeveloped reserves comprised 83 and 73 percent of total proved reserves at December 31, 2012 and 2011, respectively. Revisions of previous estimates accounted for a 34,238 MBoe increase in proved undeveloped reserves and are primarily attributable to the change from reporting rich gas volumes in 2011 to residue gas and NGL volumes in 2012. Extensions and discoveries associated with 320 new proved undeveloped well locations increased the Company's proved undeveloped reserves by 162,859 MBoe for the year ended December 31, 2012. Costs incurred related to the drilling and completion of the Company's proved undeveloped reserves were approximately $97.6 million for the year ended December 31, 2012. The Company converted 4,873 MBoe or 7 percent, of the 2011 proved undeveloped reserves associated with 18 well locations to proved developed reserves in 2012. Due to an increase in active rig count and well deliverability efficiencies, the Company anticipates a higher conversion of proved undeveloped reserves to proved developed reserves in future periods. All proved undeveloped well locations at December 31, 2012 and 2011 are scheduled to be drilled within five years of their original date of booking.

GEOSOUTHERN INTERMEDIATE HOLDINGS, LLC
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Supplemental Information on Oil and Gas Operations (Unaudited)

December 31, 2012

Standardized Measure of Discounted Future Net Cash Flows Relating to Proved Reserves

Information with respect to the standardized measure of discounted future net cash flows relating to proved reserves for the year ended December 31, 2012 is summarized below (in thousands). Future cash inflows are computed by applying applicable prices relating to the Company's proved reserves to year-end quantities of those reserves. Future production, development and asset retirement costs are derived based on current costs assuming continuation of existing economic conditions. There are no future income tax expenses because the Company is a disregarded entity for federal income tax purposes. The Company is subject to Texas margin tax; however, these amounts are not material. See notes 2 (k) and 6 – *Income Taxes* for additional information about income taxes.

Future estimated revenues	$19,656,031
Future estimated production costs	4,401,378
Future estimated development costs	2,504,735
Future net cash flows	12,749,918
10% annual discount for estimated timing of cash flows	(5,992,836)
Standardized measure of discounted future net cash flows	$ 6,757,082
Representative NYMEX prices [1]	
Oil (Bbl)	$ 94.71
Natural gas (MMBtu)	$ 2.76

(1) In accordance with SEC regulations, reserves at December 31, 2012, were estimated using the average price during the 12-month period, determined as an unweighted average of the first-day-of-the-month price for each month, unless prices are defined by contractual arrangements, excluding escalations based upon future conditions. The price used to estimate reserves is held constant over the life of the reserves.

The following summarizes the principal sources of change in the standardized measure of discounted future net cash flows for the year ended December 31, 2012 (in thousands):

Beginning Balance	$2,630,658
Net changes in prices and production costs	(404,758)
Oil, gas, and NGL sales, net of production costs	(657,871)
Changes in estimated future development costs	109,820
Extensions and discoveries, net of future development costs	3,992,523
Revisions of quantity estimates	651,055
Previously estimated development costs incurred during the period	102,752
Accretion of discount	265,495
Other, primarily changes in timing	67,408
Ending balance	$6,757,082

Exhibit 99.2

GEOSOUTHERN INTERMEDIATE HOLDINGS, LLC AND SUBSIDIARIES

Consolidated Financial Statements

September 30, 2013

(Unaudited)

GEOSOUTHERN INTERMEDIATE HOLDINGS, LLC
AND SUBSIDIARIES

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GEOSOUTHERN INTERMEDIATE HOLDINGS, LLC
AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2013 and December 31, 2012

(Unaudited)

	September 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	$ 107,436,249	106,357,701
Restricted cash	—	7,016,141
Receivables:		
Accounts receivable	54,523,779	53,803,632
Accounts receivable – affiliates	1,215,841	3,763,810
Accrued revenues	95,708,485	63,704,125
Prepaid expenses	6,757,007	15,261,472
Oil inventory	4,393,366	577,174
Total current assets	270,034,727	250,484,055
Oil and gas properties, successful efforts method:		
Proved properties	1,700,396,335	1,140,387,363
Unproved properties	281,272,831	76,268,821
Less accumulated depreciation, depletion, amortization, and impairment of proved oil and gas properties	(496,667,220)	(370,967,391)
Net oil and gas properties	1,485,001,946	845,688,793
Other property and equipment	58,723,461	27,056,190
Less accumulated depreciation	(993,614)	—
Net other property and equipment	57,729,847	27,056,190
Deferred financing fees, net of amortization and impairment	3,749,659	4,159,263
Total assets	$1,816,516,179	1,127,388,301
Liabilities and Member's Equity		
Current liabilities:		
Accounts payable	$ 3,883,749	5,308,411
Accounts payable – affiliates	102,960,957	62,937,477
Accounts payable – Beal Bank	484,422	662,985
Accrued liabilities	263,891,209	174,412,946
Total current liabilities	371,220,337	243,321,819
Long-term liabilities:		
Long-term debt	662,250,000	542,250,000
Asset retirement obligation	3,724,141	2,385,166
Deferred income taxes	13,209,512	7,243,390
Total liabilities	1,050,403,990	795,200,375
Member's equity	766,112,189	332,187,926
Total liabilities and member's equity	$1,816,516,179	1,127,388,301

See accompanying notes to consolidated financial statements.

GEOSOUTHERN INTERMEDIATE HOLDINGS, LLC
AND SUBSIDIARIES

Consolidated Statements of Operations

Nine months ended September 30, 2013 and 2012

(Unaudited)

	2013	2012
Operating revenues:		
Oil sales	$564,111,294	474,658,505
Natural gas sales	53,540,744	90,732,130
Natural gas liquids sales	71,028,324	2,453,570
Marketing revenues	18,057,299	61,804,453
Total revenues	706,737,661	629,648,658
Operating expenses:		
Production taxes	22,088,565	28,127,122
Lease operating expenses	63,766,163	43,812,699
Marketing expenses	14,815,887	47,843,410
Depreciation, depletion, and amortization	126,798,708	169,349,529
Exploration expenses	2,611,411	51,962,008
General and administrative	32,100,575	30,009,976
Total expenses	262,181,309	371,104,744
Income from operations	444,556,352	258,543,914
Other income and (expenses):		
Interest expense	(6,165,967)	(3,123,373)
Total other income and (expenses)	(6,165,967)	(3,123,373)
Income before income taxes	438,390,385	255,420,541
Income tax expense	5,966,122	2,694,200
Net Income	$432,424,263	252,726,341

See accompanying notes to consolidated financial statements.

GEOSOUTHERN INTERMEDIATE HOLDINGS, LLC
AND SUBSIDIARIES

Consolidated Statements of Changes in Member's Equity

Nine months ended September 30, 2013

(Unaudited)

	Additional paid-in capital	Accumulated income	Total equity
Balance at December 31, 2012	$(156,719,180)	488,907,106	332,187,926
Member contributions	1,500,000	—	1,500,000
Net income	—	432,424,263	432,424,263
Balance at September 30, 2013	$(155,219,180)	921,331,369	766,112,189

See accompanying notes to consolidated financial statements.

GEOSOUTHERN INTERMEDIATE HOLDINGS, LLC
AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Nine months ended September 30, 2013 and 2012

(Unaudited)

	2013	2012
Net income	$ 432,424,263	252,726,341
Cash flows from operating activities:		
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion, and amortization	126,798,708	169,349,529
Exploration expenses	1,168,036	50,441,075
Amortization of deferred financing fees	859,888	849,573
Changes in assets and liabilities:		
Accounts receivable	(32,724,507)	3,037,024
Accounts receivable – affiliates	2,547,969	1,433,195
Prepaid expenses	(92,279)	47,545
Oil inventory	(3,816,192)	(1,493,378)
Accounts payable	(1,424,662)	17,669,457
Accounts payable – affiliates	(6,285,132)	(12,096,128)
Accounts payable – Beal Bank	(178,563)	(483,019)
Accrued liabilities	17,648,441	9,868,731
Deferred income taxes	5,966,122	2,694,200
Net cash provided by operating activities	542,892,092	494,044,145
Cash flows from investing activities:		
Additions to oil and gas properties	(632,734,834)	(362,825,449)
Purchase of other property and equipment	(37,144,567)	(11,592,149)
Restricted cash	7,016,141	(7,012,538)
Net cash used in investing activities	(662,863,260)	(381,430,136)
Cash flows from financing activities:		
Proceeds from long-term debt	120,000,000	88,000,000
Deferred financing fees	(450,284)	(1,958,758)
Member contributions	1,500,000	—
Member distributions	—	(70,000,000)
Net cash provided by financing activities	121,049,716	16,041,242
Net increase in cash	1,078,548	128,655,251
Cash and cash equivalents, at beginning of period	106,357,701	73,865,086
Cash and cash equivalents, at end of period	$ 107,436,249	202,520,337

See accompanying notes to consolidated financial statements.

(1) Organization and Nature of Operations

GeoSouthern Intermediate Holdings, LLC (the Company) is a Delaware limited liability company headquartered in The Woodlands, Texas with subsidiaries engaged in crude oil and natural gas property acquisition, exploration, development, production, and marketing and midstream activities in the onshore United States. The Company's only assets are its equity interests in four wholly owned, limited liability companies: GeoSouthern DeWitt Properties, LLC (DeWitt), GeoSouthern Lavaca Properties, LLC (Lavaca), GeoSouthern Fayette Properties, LLC (Fayette) and Eagle Ford Field Services, LLC (Field Services). The Company was formed on November 3, 2011.

These financial statements reflect the financial position of the Company as of September 30, 2013 and December 31, 2012, and the results of operations, changes in member's equity, and cash flows of the Company for the nine month periods ended September 30, 2013 and 2012. The results of operations, changes in member's equity, and cash flows of DeWitt, Lavaca, Fayette, Field Services and the Company, previously described, together represent the period they were controlled by GeoSouthern Eagle Ford Development, LLC (Eagle Ford) and Eagle Ford's parent, GeoSouthern Energy Corporation (the Parent). The contributed assets and liabilities of DeWitt, Lavaca, Fayette, and Field Services were recorded by the Company at the Parent's historical cost as this was a transaction between entities under common control.

On January 7, 2011, the Parent entered into a transaction with affiliates of Blackstone Capital Partners, LP (Blackstone). Under the terms of this transaction (the Blackstone Transaction), Blackstone and the Parent formed Eagle Ford. The Parent owns a controlling interest in Eagle Ford and Blackstone owns a minority interest in Eagle Ford. In consideration for its interest, the Parent transferred all of the equity interest in DeWitt to Eagle Ford and DeWitt became a wholly owned subsidiary of Eagle Ford. In consideration for its interest, Blackstone contributed cash to Eagle Ford. Also in connection with the Blackstone Transaction, the Parent transferred certain leasehold and oil and gas properties located in Lavaca and Fayette Counties, Texas to newly formed, wholly owned subsidiaries of Eagle Ford: Lavaca and Fayette.

In connection with the Revolving Credit Facility (as defined in note 5 – *Long-Term Debt*) DeWitt, Lavaca and Fayette (the Borrowers) entered into on November 8, 2011, Eagle Ford formed and transferred the equity interest in the Borrowers to the Company on November 3, 2011. The Company is the guarantor of the Borrowers' obligations under the Revolving Credit Facility and a wholly owned subsidiary of Eagle Ford.

On January 24, 2012, the Parent transferred ownership of Field Services to the Company, and Field Services became a Borrower under the Revolving Credit Facility on February 17, 2012. This transaction is considered to be a transfer between entities under common control.

The Company, together with its wholly owned subsidiaries, seeks to build member's equity through profitable growth in reserves, production and midstream projects, which management expects will include investing in and profitably exploiting existing development programs and acreage positions as well as growth through exploration and acquisitions. Substantially all of the Company's revenues are generated through the sale of oil and natural gas production. The Company's oil and gas assets are focused in the liquids-rich portion of the Eagle Ford Shale play in South Texas.

(a) DeWitt

DeWitt holds leases located in the Black Hawk Field covering portions of DeWitt, Karnes, and Gonzales Counties, Texas. Petrohawk Operating Company (Petrohawk) is the operator during the drilling and completion phase, and the Parent is the operator after the wells are placed on production.

(b) Lavaca

Lavaca holds leases in Lavaca County, Texas. The Parent is the operator of drilling, completion, and production across the majority of Lavaca's acreage. Lavaca has an area of mutual interest covering portions of its acreage with Penn Virginia Corporation (PVA), and PVA operates certain wells therein.

(c) Fayette

Fayette holds leases in Fayette County, Texas. These leaseholds consist entirely of unproved properties. As of September 30, 2013 and 2012, Fayette had no revenues from its oil and gas operations, therefore, its activities are considered to be those of a development stage enterprise.

(d) Field Services

Field Services provides crude oil marketing and midstream services to both affiliated companies and third parties. Field Services owns and operates a permanent crude oil terminal and barge loading facility at the Port of Victoria. At September 30, 2013, Field Services was in the process of acquiring right-of-ways for a crude oil pipeline.

The Company's current and future revenues, profitability, and cash flows depend on, among other things, its subsidiaries' ability to find, acquire, develop, and produce oil and gas properties and provide crude oil marketing and midstream services at a reasonable cost. Since inception, the Company has relied on net cash flow from oil and gas production and other funding in the form of equity contributions from its sole member and long-term debt, to acquire, explore, develop, produce, and market production from oil and gas properties and to pay general company operating expenses.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Company presents its financial statements in accordance with U.S. generally accepted accounting principles (GAAP). The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated upon consolidation.

(b) Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original or remaining maturity of three months or less to be cash equivalents. The Company maintains cash balances in deposit accounts with major financial institutions, which at times exceed federally insured limits. Deposits in the United States of America are guaranteed by the Federal Deposit Insurance Corporation (FDIC). The Company monitors the financial condition of the financial institutions in which it maintains such deposits and has experienced no losses associated with these accounts.

(c) Restricted Cash

Restricted cash of $7.0 million on the consolidated balance sheet at December 31, 2012 represents cash the Company has deposited into a separate account in accordance with the terms of a Standby Letter of Credit in connection with constructing the permanent crude oil terminal and barge loading facility at the Port of Victoria. The restriction expired on January 27, 2013.

(d) Accounts Receivable

Trade accounts receivables are recorded at the invoiced amount and do not bear interest. The Company sells crude oil, natural gas, and natural gas liquids. In addition, the Company participates with other parties in the operation of oil and gas properties. Substantially all of the Company's accounts receivables are due from either purchasers of crude oil, natural gas, and natural gas liquids or participants in oil and gas properties in which the Company has an economic interest.

(e) Oil Inventory

The Company's inventory consists of crude oil. Inventory is valued at lower of cost or market, using the average cost method.

(f) Oil and Gas Properties

The Company applies the successful efforts method of accounting for oil and gas properties. Acquisition costs and costs of drilling exploratory wells are capitalized pending determination of whether proved reserves can be attributed to the field as a result of drilling such exploratory wells. Unproved leasehold costs are transferred to proved oil and gas properties to the extent they are associated with successful exploration activities.

Depreciation, Depletion, and Amortization (DD&A) : Costs of drilling, completing, and equipping successful exploratory wells, development wells, costs to construct or acquire facilities and associated asset retirement costs are depreciated on a unit-of-production basis over the remaining life of total estimated proved developed oil and gas reserves by field. Costs of acquiring proved properties, including leasehold acquisition costs transferred from unproved leaseholds, are depleted on a unit-of-production basis over the remaining life of total estimated proved reserves. DD&A expense for the Company's oil and natural gas properties was approximately $126.8 million and $169.3 million for the nine months ended September 30, 2013 and 2012, respectively.

Proved Property Impairment : The Company reviews its oil and gas properties for impairment when events and circumstances indicate a significant decline in the recoverability of the carrying value of such properties. The Company estimates the undiscounted future cash flows expected in connection with the property and compares such undiscounted future cash flows to the carrying value of the property to determine if the carrying amount is recoverable. If the carrying amount of the property exceeds its estimated undiscounted future cash flows, the carrying amount of the property is reduced to its estimated fair value. The factors used to determine fair value are subject to management's judgment and expertise and include, but are not limited to, the present value of future cash flows, net of estimated operating and development costs using estimates of proved reserves, future commodity pricing, future production estimates, anticipated capital expenditures, and a discount rate commensurate with risk and current market conditions associated with realizing the expected cash flows projected.

Exploration Expenses: Under successful efforts, exploratory, geological and geophysical costs, delay rentals, and amortization and impairment of unproved leasehold costs are charged to exploration expenses as incurred. If management determines that commercial quantities of hydrocarbons have not been discovered, capitalized costs associated with exploratory wells are charged to exploration expenses. Acquisition costs of unproved leaseholds are assessed for impairment, on a group basis, during the holding period. This impairment will generally be based on the Company's future development plans. See note 4 – *Exploration Expenses* for additional information.

(g) Other Property and Equipment

Other property and equipment includes the permanent crude oil terminal and barge loading facility located at the Port of Victoria which was in progress at December 31, 2012 and operational as of March 2013. This facility is depreciated on the straight-line method over its estimated useful life.

Linefill and tank bottoms of $1.8 million are also included in other property and equipment as of September 30, 2013. The Port of Victoria terminal requires a minimum volume of product in the facility in order to operate which are generally not available to be withdrawn from the facility and are therefore recorded at historical cost and are not depreciated.

Costs associated with the crude oil pipeline in progress as of September 30, 2013 are also included in other property and equipment.

(h) Capitalized Interest

The Company capitalizes its interest costs related to financing arrangements for which the primary use of proceeds is to fund activities that are necessary to prepare the Company's oil and gas assets for their intended use and to fund the construction of midstream capital projects. Once the oil and gas assets are placed into production or the midstream capital projects are placed into operation, the capitalized costs of that property are considered to be contributory to the earnings activities of the Company and no longer qualify for interest capitalization. Capitalized interest is attached to the qualifying costs on which the interest was computed and is amortized or tested for impairment in the same manner as those costs. The Company incurred $12.4 million and $4.7 million of interest charges of which $7.1 million and $2.4 million were capitalized to oil and gas properties or other property and equipment in the nine months ended September 30, 2013 and 2012, respectively. Cash paid for interest in the nine months ended September 30, 2013 and 2012 were $12.4 million and $5.7 million, respectively.

(i) Asset Retirement Obligations

The Company recognizes the present value of estimated future plugging, site restoration, and abandonment costs of its oil and gas properties in both assets and liabilities. The fair value of the liability for an asset retirement obligation (ARO) is recognized in the period in which the legal obligation to retire an asset is incurred.

The Company determines the ARO by calculating the present value of estimated cash flows related to the liability. Estimating the future ARO requires management to make estimates, assumptions, and judgments regarding such factors as plugging and abandonment amounts, timing of settlements, the credit-adjusted risk-free rate to be used and inflation rates. The liability is then accreted each period until it is settled or the asset is sold, at which time the liability is reversed and any gain or loss resulting from the settlement of the obligation is recorded. The initial fair value of the ARO is capitalized and subsequently depreciated or amortized as part of the carrying amount of the related asset. There are no assets legally restricted for the purpose of settling AROs. See note 3 – *Asset Retirement Obligations* for additional information .

(j) Other Long-Term Assets

Other long-term assets consist of deferred financing fees, net of amortization and impairment. Costs incurred in connection with obtaining debt financing are capitalized and amortized to interest expense using the straight-line method over the term of the applicable credit facility. Amortization expense was $0.9 million and $0.8 million for the nine months ended September 30, 2013 and 2012, respectively. An impairment of $1.8 million of deferred financing fees in relation to the borrowing base redeterminations was recorded in the year ended December 31, 2012. See note 5 – *Long-Term Debt* for additional information.

(k) Income Taxes

The Company is a limited liability company and is wholly owned by a single member. As such, the Company is considered a disregarded entity for federal income tax purposes and does not file a federal income tax return. The Company's items of income, loss, and deduction are reported on the federal income tax return of its wholly owned regarded member. The Company is treated as a partnership for state income tax purposes. The Company's assets are 100% located in the state of Texas, and therefore, the Company is only subject to Texas Margin Tax. See note 6 – *Income Taxes* for additional information.

(l) Revenue Recognition

The Company records revenues from the sales of crude oil, natural gas and natural gas liquids (NGLs) when the product is delivered at a fixed or determinable price, title has transferred and collectability is reasonably assured. The Company has elected the sales method to account for natural gas production imbalances. In accordance with the sales method, a liability is recorded by a party when remaining reserves are insufficient to offset the imbalance. The Company did not have any significant imbalance positions at September 30, 2013 or December 31, 2012. Sales of crude oil and natural gas generally occur at the wellhead or central gathering facility. When sales of oil and gas occur at locations other than the wellhead, the Company accounts for costs incurred to transport production volumes to the delivery point as lease operating expenses.

Field Services engages in the purchase of crude oil from the Parent and certain third parties and markets the product to independent purchasers. Marketing revenues are recognized when the product has been delivered to a custody transfer point at a fixed or determinable sales price, title has transferred, and the collection of revenue from the sale is reasonably assured. For the nine months ended September 30, 2013 and 2012, respectively, the Company recorded gross revenue of $445.8 million and $1,078.0 million and cost of sales of $427.7 million and $1,016.2 million resulting in net marketing revenue of $18.1 million and $61.8 million as reported in the consolidated statements of operations.

(m) Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management of the Company to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amount of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. Changes in these assumptions, judgments, and estimates will occur as a result of the passage of time and the occurrence of future events and, accordingly, actual results could differ from amounts initially established.

The most significant areas requiring the use of assumptions, judgments, and estimates relate to determining the carrying value of oil and gas properties, volumes of oil and natural gas reserves used in calculating DD&A, the amount of expected future cash flows used in determining possible impairments of proved oil and gas properties, and the amount of future capital costs used in these calculations. Assumptions, judgments, and estimates are also required in determining AROs and estimating fair values of derivative instruments and commitments and contingencies.

(n) Commitments and Contingencies

The Company may be subject to various legal proceedings and claims which arise in the ordinary course of business. The Company believes that the final disposition of such matters will not have a material adverse effect on the Company’s financial position or results of operations.

Liabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties, environmental matters, and other sources are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. See note 7 – *Commitments and Contingencies* for additional information.

(3) Asset Retirement Obligations

The Company has AROs arising from plugging, abandonment, and lease restoration costs as a result of regulatory requirements to perform certain asset retirement activities at the expiration of a well’s productive life. The liability is initially measured at fair value and subsequently is adjusted for accretion expense and changes in the amount or timing of the estimated cash flows. The accretion expense is recorded as a component of DD&A in the Company's consolidated statements of operations. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset's remaining useful life.

The following table presents the activity for the AROs for the nine months ended September 30, 2013 (in thousands):

Asset retirement obligation at December 31, 2012	$2,385
Additional obligation incurred	1,229
Changes in estimates	—
Accretion expense	110
Asset retirement obligation at September 30, 2013	$3,724

(4) Exploration Expenses

As of December 31, 2011, Lavaca had one exploratory well that was drilled in 2011 with associated costs of $5.0 million that were capitalized pending determination of proved reserves. In September of 2012, the Company concluded that this well did not encounter proved reserves therefore the capitalized costs are included in exploration expenses.

The Company records impairment of unproved leasehold costs when the determination is made to abandon a lease. During the nine month periods ended September 30, 2013 and 2012, the Company recorded impairments of unproved leasehold costs of $1.2 million and $45.4 million, respectively, related to leases abandoned. This impairment is included in exploration expenses on the consolidated statements of operations in the nine months ended September 30, 2013 and 2012, respectively.

(5) Long-Term Debt

Beal Bank Credit Facility

On January 1, 2011, DeWitt was party to a Senior Secured Credit Facility (the Credit Facility) with CLMG Corp. as administrative agent and Beal Bank Nevada as Lender (collectively, Beal Bank). The Credit Facility permitted DeWitt to borrow up to $125 million through June 2014, contingent upon (among other factors) DeWitt's compliance with certain financial and proved reserve-based coverage ratios and the receipt of credit committee approval from Beal Bank.

Under the terms of the Credit Facility, DeWitt was obligated to convey to Beal Bank a 10.0% net profits interest, proportionately reduced to DeWitt's interest, in certain wells located in the Black Hawk Field spud on or after June 29, 2010. DeWitt delivered to Beal Bank a net profits interest in 26 wells and has no obligation to provide Beal Bank with a net profits interest in any additional properties. The net profits interests in the 26 subject wells expire on July 1, 2014.

Revolving Credit Facility

On November 8, 2011, DeWitt retired the existing credit facility with Beal Bank and together with the Company, Lavaca, and Fayette, entered into a new credit agreement (the Revolving Credit Facility) with a group of financial institutions to finance the development of oil and gas properties and provide working capital for the Borrowers. On February 17, 2012, the Borrowers amended the Revolving Credit Facility to designate Field Services as an additional Borrower.

The borrowing base of the Revolving Credit Facility was $700.0 million as of December 31, 2012. On April 26, 2013 the borrowing base was increased by $100.0 million resulting in an $800.0 million borrowing base as of September 30, 2013. In connection with the borrowing base redeterminations, DeWitt incurred financing fees of $0.5 million and $2.0 million in the nine months ended September 30, 2013 and 2012, respectively. DeWitt is the lead borrower under the Revolving Credit Facility and paid the financing fees directly on behalf of all Borrowers. These fees were included as increases to the deferred financing fee balance. As of September 30, 2013, $529.3 million, $68.0 million, and $65.0 million were outstanding under the Revolving Credit Facility with DeWitt, Lavaca, and Field Services, respectively. As of December 31, 2012, $464.3 million, $53.0 million, and $25.0 million were outstanding under the Revolving Credit Facility with DeWitt, Lavaca, and Field Services, respectively. No letters of credit or swing line loans were outstanding at September 30, 2013 or December 31, 2012. The borrowing base is subject to semi-annual redeterminations or interim redeterminations as determined by the lenders or the Borrowers.

The obligations under the Revolving Credit Facility are secured by perfected real property mortgages on oil and gas reserves of the Borrowers included in the most recent reserve report and equity interests in the Borrowers. The obligations of the Borrowers are guaranteed by the Company. The maturity date for borrowings under the Revolving Credit Facility is November 8, 2016.

Pursuant to the credit agreement, interest on the Revolving Credit Facility borrowings is calculated using either the base rate plus applicable margin or the Eurodollar rate plus applicable margin. The base rate is defined as the higher of (a) the prime rate established by the administrative agent, (b) the federal funds rate in effect plus 0.50%, and (c) the daily one-month Eurodollar plus 1.00%. The applicable margin ranges from 0.75% to 1.75% for base rate loans and from 1.75% to 2.75% for Eurodollar loans, depending on the borrowing base utilization percentage. In addition to interest, the lenders receive a commitment fee on the unutilized available commitments equal to 0.38% or 0.50% per annum depending on the borrowing base utilization percentage. Interest and commitment fees are payable on a quarterly basis. The average interest rate on loan amounts outstanding at September 30, 2013 and December 31, 2012 was 2.66% and 2.59%, respectively.

The credit agreement contains various covenants that, among other things, require the Company to maintain a consolidated total debt to consolidated earnings before interest, taxes, depreciation, amortization, and exploration expenses (EBITDAX) ratio of less than 4.0 to 1.0 for the most recently completed four fiscal quarter period beginning with the fiscal quarter ending March 31, 2012 and to maintain a minimum current ratio of at least 1.0 to 1.0.

(6) Income Taxes

Income tax expense for the nine months ended September 30, 2013 and 2012 consisted of the following (in thousands):

	2013	2012
Federal:		
Current	$ —	—
Deferred	—	—
	—	—
State:		
Current	—	980
Deferred	5,966	1,714
	5,966	2,694
Total income tax expense	$5,966	2,694

The reconciliation of income tax expense computed at the United States federal statutory income tax rates for the nine months ended September 30, 2013 and 2012 is as follows (in thousands):

	2013	
	Amount	Percentage
Book income for the period ended September 30, 2013	$ 445,390	N/A
Income tax expense at United States statutory rates	155,887	35.00%
Less income tax expense for entity not subject to federal income tax	(155,887)	(35.00)
Add state income tax expense for Texas Margin Tax	5,966	1.34
Total income tax expense	$ 5,966	1.34%

	2012	
	Amount	Percentage
Book income for the period ended September 30, 2012	$243,373	N/A
Income tax expense at United States statutory rates	85,181	35.00%
Less income tax expense for entity not subject to federal income tax	(85,181)	(35.00)
Add state income tax expense for Texas Margin Tax	2,694	1.11
Total income tax expense	$ 2,694	1.11%

Current income tax expense (benefit) is settled with the Company's sole regarded member through an intercompany income tax receivable/payable.

The Company's $13.2 million and $7.2 million net deferred income tax liability at September 30, 2013 and December 31, 2012, respectively, consists primarily of the tax effect on temporary differences related to the Company's oil and gas properties.

(7) Commitments and Contingencies

DeWitt entered into a term purchase contract in March of 2013 with a contract period of May 1, 2013 through April 30, 2014. Over the year term of the contract, DeWitt is obligated to deliver 456,000 barrels of natural gas liquids at market terms.

Field Services has a ground lease located at the Port of Victoria under an operating lease effective August 4, 2011 with a term of ten years.

Future minimum lease payments for each of the five years subsequent to September 30, 2013 are as follows (in thousands):

2013	$ 40
2014	159
2015	159
2016	167
2017	183
Thereafter	701
Total	$1,409

Field Services had capital commitments of $44.3 million for construction of the Victoria Express Pipeline as of September 30, 2013.

(8) Transactions with Affiliates and Related Parties

Affiliates and related parties include a party that controls, is controlled by, or is under common control with the Company, members and management of the Company and members of their immediate families.

The Parent serves as the operator of certain of DeWitt's and Lavaca's properties covered under joint operating agreements specific to each production unit. The Parent markets DeWitt's and Lavaca's operated production volumes. The Parent receives all revenues from operated crude oil and natural gas sales and disperses such funds to DeWitt, Lavaca, and other working and royalty interest owners based on their revenue interests in the subject properties. During the nine months ended September 30, 2013 and 2012, Field Services purchased 3.0 million and 8.8 million barrels of gross production attributable to the Black Hawk Field from the Parent for an amount of $293.5 million and $848.2 million, respectively.

On January 1, 2013, Field Services entered into a Crude Oil Terminal and Storage agreement and Crude Oil Transportation and Deficiency agreement with DeWitt for a period of ten years and for volumes of up to 46,000 barrels per day at fixed fees. The commencement date of said agreements is yet to be determined and is contingent upon the completion of Field Services' planned crude oil pipeline from the Black Hawk Field to the Port of Victoria.

During the nine months ended September 30, 2013 and 2012, the Company paid to the Parent an aggregate of approximately $12.0 million and $16.5 million, respectively, in Management Fees. The Management Fees are allocated to DeWitt, Lavaca, Fayette, and Field Services based on total revenues. Management considers total revenues an appropriate allocation base for the Management Fees.

During the nine months ended September 30, 2013 and 2012, Eagle Ford paid to the members an aggregate of $12.4 million and $12.5 million, respectively, in Monitoring Fees. The Monitoring Fees are allocated to the subsidiaries based on EBITDAX. Management considers EBITDAX an appropriate allocation base for the Monitoring Fees.

(9) Subsequent Events

On October 3, 2013 the borrowing base was increased by $300.0 million resulting in a $1,100.0 million borrowing base. DeWitt incurred financing fees of $1.2 million in connection with this subsequent borrowing base redetermination.

On November 20, 2013, the Parent and the Company announced they had entered into a Purchase and Sale Agreement with Devon Energy Production Company, L.P. (Devon) under which Devon would acquire all of the member interests of DeWitt, Lavaca and Field Services outstanding as of November 20, 2013. The transaction has a purchase price of $6.0 billion and an effective date of September 1, 2013. The transaction is subject to customary purchase price adjustments, terms and conditions, regulatory approvals, and is expected to close in the first quarter of 2014.

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

The following unaudited pro forma consolidated financial information relates to the Proposed Transactions, as defined in the Current Report on Form 8-K filed on December 11, 2013. Unless the context requires otherwise, for purposes of this pro forma presentation, all references to ‘‘we,’’ ‘‘our,’’ or ‘‘us’’ refer to Devon Energy Corporation and its directly owned and indirectly owned subsidiaries.

We will account for each of the Proposed Transactions using the acquisition method of accounting. Under this method, the assets acquired, liabilities assumed and noncontrolling interests will be recognized at their estimated fair values measured as of the respective acquisition dates. The aggregate purchase price for the GeoSouthern Transaction is $6 billion. This purchase price is subject to adjustments for certain debt retirement and other payments made by us on GeoSouthern’s behalf, certain title and environmental defects, if any, as well as customary adjustments to reflect the operation of the GeoSouthern Properties following the effective date and prior to the closing date. For accounting purposes, the aggregate purchase price for the Crosstex Transaction is currently estimated to be approximately $5.8 billion. This purchase price is subject to adjustment for changes in the trading prices of the outstanding common shares of Crosstex Energy, Inc. (“Crosstex”) and the outstanding common units of Crosstex Energy, L.P. (the “Partnership”), as well as changes in the basis of the net assets Devon will contribute to the Crosstex Transaction, from current estimates to the values on the closing date.

The following unaudited pro forma consolidated financial statements are based on the historical financial statements of Devon, Crosstex and GeoSouthern. The GeoSouthern historical financial statements include amounts related to minor assets that are not included in the GeoSouthern Transaction. The unaudited pro forma consolidated financial statements include two separate sets of financial statements with one set of notes. The first set of financial statements presents the pro forma adjustments for the GeoSouthern Transaction and our pro forma consolidated financial condition and results of operations after consideration of the Proposed Transactions. The second set of financial statements presents the pro forma adjustments for the Crosstex Transaction and our pro forma consolidated financial condition and results of operations after consideration of the Crosstex Transaction.

The unaudited pro forma consolidated balance sheets as of September 30, 2013 assume the Proposed Transactions occurred on September 30, 2013. The unaudited pro forma consolidated statements of operations for the year ended December 31, 2012 and for the nine months ended September 30, 2013 assume the Proposed Transactions occurred on January 1, 2012. The unaudited pro forma consolidated financial statements do not present our actual results of operations had the Proposed Transactions been completed at the dates indicated. In addition, they do not project our results of operations for any future period. The unaudited pro forma consolidated financial statements reflect the following significant assumptions and transactions:

- Devon will acquire certain GeoSouthern subsidiaries that own oil and gas properties, leasehold mineral interests and related assets located in the Eagle Ford Shale;
- the GeoSouthern Properties acquired and liabilities assumed by Devon will be recorded at their fair values;
- Devon will contribute its midstream assets in the Barnett, Cana-Woodford and Arkoma-Woodford Shales, as well as a 38.75% economic equity interest in Gulf Coast Fractionators to Devon Midstream Holdings, L.P. (“Midstream Holdings”), a wholly owned subsidiary of Devon;
- a Devon subsidiary owning 50% of Devon’s limited partner interest in Midstream Holdings and holding $100 million in cash will merge with a subsidiary of New Public Rangers, L.L.C. (“New Public Rangers”), a wholly owned subsidiary of Devon, and Devon will receive 115,495,669 New Public Rangers Class B Units, representing an approximate 70% interest in New Public Rangers;
- Devon will contribute 50% of its limited partner interest in Midstream Holdings and all of its interest in the general partner of Midstream Holdings to a wholly owned subsidiary of the Partnership in exchange for 120,542,441 Class B Partnership Units, representing an approximate 53% limited partner interest in the Partnership;

- Midstream Holdings will become a party to certain 10-year, fixed-fee gathering, processing and transportation agreements with Devon pursuant to which Devon will dedicate to Midstream Holdings specified natural gas production from certain acreage in the Barnett, Cana-Woodford and Arkoma-Woodford Shales;
- New Public Rangers will issue approximately 48.9 million New Public Rangers Common Units and distribute an aggregate of $100 million in cash to Crosstex public stockholders in exchange for all of Crosstex's outstanding shares; and
- the Crosstex assets acquired and liabilities assumed by New Public Rangers, as well as the noncontrolling interests in New Public Rangers and the Partnership, will be recorded at their fair values with the excess purchase price over the estimated fair value of Crosstex's net assets acquired recorded as goodwill.

The unaudited pro forma consolidated financial statements and accompanying notes have been prepared in conformity with accounting principles generally accepted in the United States of America. These accounting principles are consistent with those used in, and should be read together with, our historical financial statements and the related notes in our Annual Report on Form 10-K for the year ended December 31, 2012.

The adjustments reflected in the unaudited pro forma consolidated financial statements are based on currently available information and certain estimates and assumptions. Therefore, actual results may differ from the pro forma adjustments. However, management believes that the estimates and assumptions used provide a reasonable basis for presenting the significant effects of the Proposed Transactions. Management also believes the pro forma adjustments give appropriate effect to the estimates and assumptions and are applied in conformity with GAAP.

DEVON ENERGY CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

September 30, 2013

	Devon Historical	Pro Forma, As Adjusted For Crosstex Merger	GeoSouthern Historical	GeoSouthern Acquisition Adjustments (a)	Pro Forma, As Adjusted
			(in millions)		
Assets					
Current assets:					
Cash and cash equivalents	$ 4,320	$ 4,334	$ 107	$ (1,456)(d)	$ 2,985
Accounts receivable	1,520	1,724	152	(1)(b)	1,875
Other current assets	475	497	11	—	508
Total current assets	6,315	6,555	270	(1,457)	5,368
Property and equipment, at cost:					
Oil and gas, based on full cost accounting:					
Subject to amortization	73,009	73,009	1,700	3,238 (b)	77,947
Not subject to amortization	3,319	3,319	281	710 (b)	4,310
Total oil and gas	76,328	76,328	1,981	3,948	82,257
Other	6,050	8,156	59	16 (b)	8,231
Total property and equipment, at cost	82,378	84,484	2,040	3,964	90,488
Less accumulated depreciation and amortization	(54,416)	(54,416)	(498)	498 (b)	(54,416)
Property and equipment, net	27,962	30,068	1,542	4,462	36,072
Goodwill	5,954	8,604	—	—	8,604
Intangible assets	—	445	—	—	445
Other long-term assets	615	837	4	47 (b)(d)	888
Total assets	$ 40,846	$ 46,509	$ 1,816	$ 3,052	$ 51,377
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable	$ 1,269	$ 1,305	$ 107	$ —	$ 1,412
Revenue and royalties payable	807	807	—	—	807
Short-term debt	2,112	2,112	—	—	2,112
Other current liabilities	594	843	264	(7)	1,100
Total current liabilities	4,782	5,067	371	(7)	5,431
Long-term debt	7,956	9,150	662	3,838 (d)	13,650
Asset retirement obligations	2,161	2,161	4	—	2,165
Other long-term liabilities	830	938	—	—	938
Deferred income taxes	4,505	4,737	13	(13)(c)	4,737
Stockholders' equity	20,612	24,456	766	(766)(b)	24,456
Total liabilities and stockholders' equity	$ 40,846	$ 46,509	$ 1,816	$ 3,052	$ 51,377

See accompanying notes to the pro forma consolidated financial statements.

DEVON ENERGY CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

Nine Months Ended September 30, 2013

	Devon Historical	Pro Forma, As Adjusted For Crosstex Merger	GeoSouthern Historical	GeoSouthern Acquisition Adjustments	Pro Forma, As Adjusted
	(in millions, except per share data)				
Revenues:					
Oil, gas and NGL sales	$ 6,367	$ 6,442	$ 689	$ —	$ 7,131
Oil, gas and NGL derivatives	(95)	(95)	—	—	(95)
Marketing and midstream revenues	1,511	2,689	18	—	2,707
Total revenues	7,783	9,036	707	—	9,743
Expenses and other, net:					
Lease operating expenses	1,684	1,718	64	—	1,782
Marketing and midstream operating costs and expenses	1,128	2,124	15	—	2,139
Depreciation, depletion and amortization	2,069	2,156	127	320 (e)	2,603
Exploration expenses	—	—	3	(3)(g)	—
General and administrative expenses	460	513	32	(23)(g)	522
Taxes other than income taxes	353	356	22	—	378
Interest expense	322	359	6	65 (f)	430
Restructuring costs	50	50	—	—	50
Asset impairments	1,960	1,960	—	—	1,960
Other, net	83	84	—	—	84
Total expenses and other, net	8,109	9,320	269	359	9,948
Earnings (loss) before income taxes	(326)	(284)	438	(359)	(205)
Income tax expense (benefit)	(99)	(84)	6	22 (h)	(56)
Net earnings (loss)	(227)	(200)	432	(381)	(149)
Noncontrolling interests	—	82	—	—	82
Net earnings (loss) attributable to Devon	$ (227)	$ (282)	$ 432	$ (381)	$ (231)
Net loss per share:					
Basic	$ (0.57)	$ (0.69)			$ (0.57)
Diluted	$ (0.57)	$ (0.69)			$ (0.57)
Weighted average number of shares outstanding:					
Basic	406	406			406
Diluted	406	406			406

See accompanying notes to the pro forma consolidated financial statements.

DEVON ENERGY CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

Year Ended December 31, 2012

	Devon Historical	Pro Forma, As Adjusted For Crosstex Merger	GeoSouthern Historical	GeoSouthern Acquisition Adjustments (a)	Pro Forma, As Adjusted
			(in millions, except per share data)		
Revenues:					
Oil, gas and NGL sales	$ 7,153	$ 7,227	$ 757	$ —	$ 7,984
Oil, gas and NGL derivatives	693	693	—	—	693
Marketing and midstream revenues	1,656	3,203	71	—	3,274
Total revenues	9,502	11,123	828	—	11,951
Expenses and other, net:					
Lease operating expenses	2,074	2,155	61	—	2,216
Marketing and midstream operating costs and expenses	1,246	2,479	56	—	2,535
Depreciation, depletion and amortization	2,811	2,921	242	314 (e)	3,477
Exploration expenses	—	—	70	(70)(g)	—
General and administrative expenses	692	757	47	(21)(g)	783
Taxes other than income taxes	414	417	38	—	455
Interest expense	406	469	6	89 (f)	564
Restructuring costs	74	74	—	—	74
Asset impairments	2,024	2,024	—	—	2,024
Other, net	78	70	(1)	—	69
Total expenses and other, net	9,819	11,366	519	312	12,197
Earnings (loss) before income taxes	(317)	(243)	309	(312)	(246)
Income tax expense (benefit)	(132)	(105)	4	(5)(h)	(106)
Net earnings (loss)	(185)	(138)	305	(307)	(140)
Noncontrolling interests	—	94	—	—	94
Net earnings (loss) attributable to Devon	$ (185)	$ (232)	$ 305	$ (307)	$ (234)
Net earnings (loss) per share:					
Basic	$ (0.46)	$ (0.57)			$ (0.58)
Diluted	$ (0.46)	$ (0.57)			$ (0.58)
Weighted average number of shares outstanding:					
Basic	404	404			404
Diluted	404	404			404

See accompanying notes to the pro forma consolidated financial statements.

DEVON ENERGY CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET

September 30, 2013

	Devon Historical	Crosstex Historical	Crosstex Merger Adjustments (i)	Pro Forma, As Adjusted For Crosstex Merger
	(in millions)			
Assets				
Current assets:				
Cash and cash equivalents	$ 4,320	$ 14	$ — (j)	$ 4,334
Accounts receivable	1,520	204	—	1,724
Other current assets	475	22	—	497
Total current assets	6,315	240	—	6,555
Property and equipment, at cost:				
Oil and gas, based on full cost accounting:				
Subject to amortization	73,009	—	—	73,009
Not subject to amortization	3,319	—	—	3,319
Total oil and gas	76,328	—	—	76,328
Other	6,050	2,424	(318)(j)	8,156
Total property and equipment, at cost	82,378	2,424	(318)	84,484
Less accumulated depreciation and amortization	(54,416)	(574)	574(j)	(54,416)
Property and equipment, net	27,962	1,850	256	30,068
Goodwill	5,954	154	2,496(k)	8,604
Intangible assets	—	325	120(j)	445
Other long-term assets	615	124	98(j)	837
Total assets	$ 40,846	$ 2,693	$ 2,970	$ 46,509
Liabilities and Stockholders' Equity				
Current liabilities:				
Accounts payable	$ 1,269	$ 36	$ —	$ 1,305
Revenue and royalties payable	807	—	—	807
Short-term debt	2,112	—	—	2,112
Other current liabilities	594	227	22(j)	843
Total current liabilities	4,782	263	22	5,067
Long-term debt	7,956	1,102	92(j)	9,150
Asset retirement obligations	2,161	—	—	2,161
Other long-term liabilities	830	28	80(j)	938
Deferred income taxes	4,505	124	108(l)	4,737
Stockholders' equity	20,612	1,176	2,668	24,456
Total liabilities and stockholders' equity	$ 40,846	$ 2,693	$ 2,970	$ 46,509

See accompanying notes to the pro forma consolidated financial statements.

DEVON ENERGY CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

Nine Months Ended September 30, 2013

	Devon Historical	Crosstex Historical	Crosstex Merger Adjustments	Pro Forma, As Adjusted For Crosstex Merger
		(in millions, except per share data)		
Revenues:				
Oil, gas and NGL sales	$ 6,367	$ —	$ 75 (m)	$ 6,442
Oil, gas and NGL derivatives	(95)	—	—	(95)
Marketing and midstream revenues	1,511	1,369	(191)(m)	2,689
Total revenues	7,783	1,369	(116)	9,036
Expenses and other, net:				
Lease operating expenses	1,684	—	34 (m)	1,718
Marketing and midstream operating costs and expenses	1,128	1,182	(186)(m)(n)	2,124
Depreciation, depletion and amortization	2,069	102	(15)(o)	2,156
Exploration expenses	—	—	—	—
General and administrative expenses	460	53	—	513
Taxes other than income taxes	353	—	3 (m)	356
Interest expense	322	55	(18)(q)	359
Restructuring costs	50	—	—	50
Asset impairments	1,960	73	(73)(p)	1,960
Other, net	83	1	—	84
Total expenses and other, net	8,109	1,466	(255)	9,320
Earnings (loss) before income taxes	(326)	(97)	139	(284)
Income tax expense (benefit)	(99)	(8)	23 (r)	(84)
Net earnings (loss)	(227)	(89)	116	(200)
Noncontrolling interests	—	(70)	152 (s)	82
Net earnings (loss) attributable to Devon	$ (227)	$ (19)	$ (36)	$ (282)
Net loss per share:				
Basic	$ (0.57)			$ (0.69)
Diluted	$ (0.57)			$ (0.69)
Weighted average number of shares outstanding:				
Basic	406			406
Diluted	406			406

See accompanying notes to the pro forma consolidated financial statements.

DEVON ENERGY CORPORATION

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF OPERATIONS

Year Ended December 31, 2012

	Devon Historical	Crosstex Historical	Crosstex Merger Adjustments	Pro Forma, As Adjusted For Crosstex Merger
	(in millions, except per share data)			
Revenues:				
Oil, gas and NGL sales	$ 7,153	$ —	$ 74 (m)	$ 7,227
Oil, gas and NGL derivatives	693	—	—	693
Marketing and midstream revenues	1,656	1,791	(244)(m)	3,203
Total revenues	9,502	1,791	(170)	11,123
Expenses and other, net:				
Lease operating expenses	2,074	—	81 (m)	2,155
Marketing and midstream operating costs and expenses	1,246	1,528	(295)(m)(n)	2,479
Depreciation, depletion and amortization	2,811	162	(52)(o)	2,921
Exploration expenses	—	—	—	—
General and administrative expenses	692	65	—	757
Taxes other than income taxes	414	—	3 (m)	417
Interest expense	406	87	(24)(q)	469
Restructuring costs	74	—	—	74
Asset impairments	2,024	—	—	2,024
Other, net	78	(8)	—	70
Total expenses and other, net	9,819	1,834	(287)	11,366
Earnings (loss) before income taxes	(317)	(43)	117	(243)
Income tax expense (benefit)	(132)	(7)	34 (r)	(105)
Net earnings (loss)	(185)	(36)	83	(138)
Noncontrolling interests	—	(24)	118 (s)	94
Net earnings (loss)	$ (185)	$ (12)	$ (35)	$ (232)
Net earnings (loss) per share:				
Basic	$ (0.46)			$ (0.57)
Diluted	$ (0.46)			$ (0.57)
Weighted average number of shares outstanding:				
Basic	404			404
Diluted	404			404

See accompanying notes to the pro forma consolidated financial statements.

DEVON ENERGY CORPORATION

NOTES TO UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The unaudited pro forma consolidated financial statements give effect to the Proposed Transactions under the acquisition method of accounting. Under this method, the tangible and identifiable intangible assets acquired, liabilities assumed and noncontrolling interests are recorded at their estimated fair values measured as of the respective acquisition dates. The excess of the purchase price over the estimated fair values of Crosstex's net assets acquired will be recorded as goodwill. No goodwill is expected to result from the GeoSouthern Transaction. The pro forma adjustments have been prepared as if the Proposed Transactions had taken place on September 30, 2013 in the case of the pro forma balance sheets and on January 1, 2012 in the case of the pro forma statements of operations. These transactions and adjustments are described in Note 3 to these unaudited pro forma consolidated financial statements.

The unaudited pro forma consolidated financial statements should be read in conjunction with Devon's Annual Report on Form 10-K for the year ended December 31, 2012 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2013.

2. Summary of Significant Accounting Policies

The accounting policies used in preparing the unaudited pro forma consolidated financial statements are those used by Devon as set forth in its Annual Report on Form 10-K for the year ended December 31, 2012.

3. Pro Forma Adjustments and Assumptions

The accompanying unaudited pro forma financial statements give pro forma effect to the following adjustments related to the Proposed Transactions. Additionally, the historical GeoSouthern financial statements include $18 million of assets as of September 30, 2013 and $9 million of exploration expenses for the year ended December 31, 2012 that are not associated with the GeoSouthern Transaction.

GeoSouthern Transaction Adjustments

(a) Adjustments to remove the GeoSouthern assets not included in the GeoSouthern Transaction and adjustments to reflect the GeoSouthern Transaction under the acquisition method of accounting. The estimated fair values and asset useful lives are based on preliminary management estimates and are subject to adjustment after the closing of the GeoSouthern Transaction based upon our final analysis.

The estimated purchase price and preliminary allocation of the purchase price is as follows (in millions):

Aggregate purchase price(1)	$6,000
Purchase price adjustments(2)	(758)
Total consideration	$5,242
GeoSouthern fair values:	
Current assets	$ 268
Property, plant and equipment, net	6,004
Other current liabilities	(364)
Long-term debt	(662)
Asset retirement obligations	(4)
Total consideration	$5,242

(1) The aggregate purchase price is a known, fixed amount.

(2) The purchase price adjustments consist of certain debt retirement and other payments made by us on GeoSouthern's behalf, certain title and environmental defects, if any, as well as customary adjustments to reflect the operation of the GeoSouthern Properties following the effective date and prior to the closing date. This estimate is based on the GeoSouthern working capital and debt balances as of September 30, 2013. Changes in the adjustments would increase or decrease the amount of property, plant and equipment recognized by the same amount.

(b) Adjustments to remove the GeoSouthern assets not included in the GeoSouthern Transaction and adjustments to reflect GeoSouthern's assets and liabilities at their estimated fair values. We estimated the fair values of property, plant and equipment based upon forecasted discounted future cash flows.

(c) Represents the elimination of GeoSouthern's historical deferred tax liabilities. We do not expect significant deferred tax liabilities to result from the GeoSouthern Transaction because our tax basis will be based on the GeoSouthern Transaction values.

(d) Represents our issuance of $4.5 billion of new debt, including $51 million of issuance costs, as well as an adjustment to retire $662 million of GeoSouthern's debt. The adjustment to cash and cash equivalents is the result of the following (in millions):

Issuance of debt, net of issuance costs	$ 4,449
Consideration paid	(5,242)
GeoSouthern debt retirement	(662)
Assets not contributed	(1)
Net pro forma adjustment	$(1,456)

(e) Reflects adjustments to depreciation, depletion and amortization resulting from the effects of the purchase accounting adjustments in (b) above.

(f) Represents estimated interest expense and amortization of debt issuance costs associated with the new debt issued in (d) above, using an assumed effective interest rate of 2.12%, which is based on the terms of our bridge loan commitment. Based on current market conditions, we anticipate our weighted-average effective interest rate will be lower than that for our bridge loan commitment. A 25-basis point change in the assumed effective interest rate would change annual interest expense by approximately $11 million. This adjustment is partially offset by the elimination of GeoSouthern's historical interest expense associated with the retired GeoSouthern debt discussed in (d) above.

(g) GeoSouthern uses the successful efforts method of accounting for its oil and gas properties, whereas Devon uses the full cost method of accounting for its oil and gas properties. Accordingly, we capitalize all costs incidental to the acquisition, exploration and development of oil and gas properties, including exploration and certain general and administrative expenses. The adjustments reflect the reversal of GeoSouthern's historical exploration expense and capitalization of general and administrative expenses directly related to the acquisition, exploration and development of oil and gas properties. The adjustments to general and administrative expenses also include the reversal of an investment management fee and certain other fees that we are not assuming as part of the GeoSouthern Transaction.

(h) GeoSouthern's historical operations are not subject to income taxes. However, GeoSouthern's operations will be subject to federal and state income taxes after the GeoSouthern Transaction. This adjustment reflects the additional income tax expense attributable to GeoSouthern's operations.

Crosstex Transaction Adjustments

(i) Adjustments to reflect the Crosstex Transaction under the acquisition method of accounting. The estimated fair values and asset useful lives are based on preliminary management estimates and are subject to adjustment after the closing of the Crosstex Transaction based upon our final analysis.

The following table summarizes the preliminary estimate of the purchase price (in millions, except conversion ratio, share price and unit price).

Midstream Holdings carryover basis:	
Total carryover basis	$1,764
Adjustment for change in tax status	189
Total consideration before noncontrolling interests	$1,953
Crosstex outstanding common shares subject to conversion	48.9
Conversion ratio	1.0
Converted shares	48.9
Crosstex common share price(1)	$31.00
Crosstex common shares conversion value	$1,515
Crosstex outstanding stock options value	1
Crosstex consideration	$1,516
Partnership outstanding units	91.3
Partnership common unit price(2)	$25.50
Partnership consideration	$2,328
Total fair value of noncontrolling interests(3)	$3,844
Total consideration and fair value of noncontrolling interests	$5,797

(1) For purposes of estimating and determining the final purchase price, the $100 million cash distribution to Crosstex's public shareholders is assumed to be included in the market price of Crosstex common stock. The final purchase price will be based on the fair value of the shares of Crosstex common stock subject to conversion as of the closing date of the Crosstex Transaction. The estimated fair value of the shares of Crosstex common stock is based on a price that approximates the trading price as of November 14, 2013, which may vary materially from the current estimate. A 10% or 20% change in the trading price of the shares of Crosstex common stock would change the total purchase price by approximately $152 million or $258 million, respectively. The purchase price change would increase or decrease the amount of goodwill recognized from the Crosstex Transaction by the same amount.

(2) The estimated fair value of the Partnership's common units is based on a price that approximates the trading price as of November 14, 2013, which may vary materially from the current estimate. The final purchase price will be based on the fair value of the Partnership's common units as of the closing date of the Crosstex Transaction. A 10% or 20% change in the trading price of the Partnership's common units would change the total purchase price by approximately $233 million or $466 million, respectively. The purchase price change would increase or decrease the amount of goodwill recognized from the Crosstex Transaction by the same amount.

(3) Noncontrolling interests consist of the fair value of the Crosstex common stock discussed in (1) above, and the fair value of the Partnership's approximately 91.3 million common units outstanding to public unitholders after the Crosstex Transaction (representing an approximate 39% interest in the Partnership), as discussed in (2) above.

The preliminary allocation of the purchase price is as follows (in millions).

Midstream Holdings adjusted carryover basis	$ 1,953
Crosstex fair values:	
Current assets	240
Property, plant and equipment, net	2,106
Intangible assets	445
Other long-term assets	222
Goodwill	2,650
Current liabilities	(285)
Long-term debt	(1,194)
Deferred income taxes	(232)
Other long-term liabilities	(108)
Total consideration and fair value of noncontrolling interests	$ 5,797

(j) Adjustments to reflect Crosstex's assets and liabilities at their estimated fair values. The adjustment to cash is the result of offsetting $100 million adjustments for the cash contributed by Devon, which is then distributed to Crosstex's common shareholders. We estimated the fair values of property, plant and equipment and the related customer relationship values included in intangible assets based upon forecasted discounted future cash flows and estimated replacement costs. We estimated the fair values of an equity investment included in other long-term assets, as well as long-term debt, based on third-party market quotations. The increases in other current and long-term liabilities primarily relate to the recognition of a $100 million liability associated with an onerous performance obligation, the fair value of which was based on forecasted discounted cash obligations under the related contract.

(k) An adjustment to reverse Crosstex's $154 million of historical goodwill and an adjustment to reflect the $2,650 million of goodwill resulting from the Crosstex Transaction.

(l) An adjustment of $108 million to increase deferred tax liabilities for the tax effects of the purchase accounting adjustments. Additionally, in conjunction with the Crosstex Transaction, Midstream Holdings will be created as a partnership, and its operating subsidiaries will be nontaxable entities, except for certain state taxes. Accordingly, the 50% interest in Midstream Holdings, including its subsidiaries, owned by the Partnership will not be subject to corporate federal income taxes. As such, included in this adjustment are offsetting adjustments that reflect the reversal of $189 million of deferred tax liabilities at the Partnership resulting from the change in Midstream Holdings' tax status and the recognition of those same deferred tax liabilities by us.

(m) Reflects a duly authorized contract change that pertains to the assets owned by Midstream Holdings and takes effect upon completion of the Crosstex Transaction to convert the natural gas processing percent-of-proceeds contracts to fixed-fee contracts and to effect changes to the related natural gas gathering contracts. This contract change impacts operating revenues and expenses as presented in the table below. The entry into commercial agreements reflecting this change is a condition to the Partnership's obligation to consummate certain transactions, which must be completed substantially concurrently with the Crosstex Transaction.

Additionally, Crosstex received revenues from us during the periods presented. These intercompany transactions are reversed out of marketing and midstream revenues and lease operating expenses as presented in the following table.

	Nine Months Ended September 30, 2013	Year Ended December 31, 2012
	(in millions)	
Oil, gas, and NGL sales — contract changes	$ 75	$ 74
Marketing and midstream revenues:		
Contract changes	$ (136)	$ (171)
Elimination of intercompany transactions	(55)	(73)
Total marketing and midstream revenues adjustments	$ (191)	$ (244)
Lease operating expenses:		
Contract changes	$ 89	$ 154
Elimination of intercompany transactions	(55)	(73)
Total lease operating expense adjustments	$ 34	$ 81
Marketing and midstream operating costs and expenses — contract changes	$ (172)	$ (277)
Taxes other than income taxes — contract changes	$ 3	$ 3

(n) Reflects the elimination of the Partnership's monthly product purchases associated with the onerous performance obligation described in adjustment (j) above. For pro forma purposes, the monthly product purchases associated with this performance obligation are now assumed to reduce the liability rather than be recognized as expense. The following summarizes the pro forma adjustments to product purchases.

	Nine Months Ended September 30, 2013	Year Ended December 31, 2012
	(in millions)	
Contract changes in adjustment (m) above	$ (172)	$ (277)
Performance obligation adjustment	(14)	(18)
Marketing and midstream operating costs and expenses total pro forma adjustment	$ (186)	$ (295)

(o) Reflects adjustments to depreciation and amortization resulting from the effects of the purchase accounting adjustments in (i) above and the effects of increasing the estimated useful lives used to calculate depreciation and amortization. The longer estimated useful lives correspond to the expected lives used to determine the fair values of property, plant and equipment and related identifiable intangible assets.

(p) The reversal of intangible asset impairments that would not have been recognized based on the estimated fair values used for purchase accounting.

(q) Represents adjustments to reverse the Partnership's historical amortization expense associated with capitalized debt issuance costs eliminated in adjustment (j), as well as adjustments to amortize the fair value of the debt purchase price adjustment using the effective interest rate method.

(r) Reflects adjustments to income tax expense attributable to the increase in income before taxes due to the pro forma adjustments.

(s) Income attributable to noncontrolling interests, which represents the publicly owned interests in New Public Rangers and the Partnership.

4. Supplemental Pro Forma Information on Oil and Gas Operations

Supplemental pro forma information regarding Devon's oil and gas activities is presented in this note. The information is provided separately by country.

Proved Reserves

The following tables present the estimated proved reserves by product for Devon, GeoSouthern and the combined company on a pro forma basis.

	Oil (MMBbls)				
	U.S.			Canada	Total
	Devon Historical	GeoSouthern Historical	Combined	Devon Historical	Pro Forma
Proved developed and undeveloped reserves:					
December 31, 2011	168	54	222	80	302
Revisions due to prices	(1)	—	(1)	(5)	(6)
Revisions other than price	(6)	19	13	(2)	11
Extensions and discoveries	65	97	162	7	169
Purchases of reserves	—	—	—	—	—
Production	(21)	(7)	(28)	(15)	(43)
Sale of reserves	—	—	—	—	—
December 31, 2012	205	163	368	65	433
Proved developed reserves as of:					
December 31, 2012	166	29	195	62	257
Proved developed-producing reserves as of:					
December 31, 2012	155	26	181	56	237
Proved undeveloped reserves as of:					
December 31, 2012	39	134	173	3	176

	Bitumen (MMBbls)				
	U.S.			Canada	Total
	Devon Historical	GeoSouthern Historical	Combined	Devon Historical	Pro Forma
Proved developed and undeveloped reserves:					
December 31, 2011	—	—	—	457	457
Revisions due to prices	—	—	—	14	14
Revisions other than price	—	—	—	7	7
Extensions and discoveries	—	—	—	67	67
Purchases of reserves	—	—	—	—	—
Production	—	—	—	(17)	(17)
Sale of reserves	—	—	—	—	—
December 31, 2012	—	—	—	528	528
Proved developed reserves as of:					
December 31, 2012	—	—	—	99	99
Proved developed-producing reserves as of:					
December 31, 2012	—	—	—	99	99
Proved undeveloped reserves as of:					
December 31, 2012	—	—	—	429	429

	Gas (Bcf)				
	U.S.			Canada	Total
	Devon Historical	GeoSouthern Historical	Combined	Devon Historical	Pro Forma
Proved developed and undeveloped reserves:					
December 31, 2011	9,507	210	9,717	979	10,696
Revisions due to prices	(831)	—	(831)	(99)	(930)
Revisions other than price	(287)	(2)	(289)	(33)	(322)
Extensions and discoveries	1,124	294	1,418	34	1,452
Purchases of reserves	2	—	2	—	2
Production	(752)	(22)	(774)	(186)	(960)
Sale of reserves	(1)	—	(1)	(11)	(12)
December 31, 2012	8,762	480	9,242	684	9,926
Proved developed reserves as of:					
December 31, 2012	7,391	77	7,468	679	8,147
Proved developed-producing reserves as of:					
December 31, 2012	7,091	71	7,162	624	7,786
Proved undeveloped reserves as of:					
December 31, 2012	1,371	403	1,774	5	1,779

	Natural Gas Liquids (MMBbls)				
	U.S.			Canada	Total
	Devon Historical	GeoSouthern Historical	Combined	Devon Historical	Pro Forma
Proved developed and undeveloped reserves:					
December 31, 2011	525	—	525	27	552
Revisions due to prices	(19)	—	(19)	(5)	(24)
Revisions other than price	(13)	27	14	—	14
Extensions and discoveries	114	41	155	2	157
Purchases of reserves	—	—	—	—	—
Production	(36)	(1)	(37)	(4)	(41)
Sale of reserves	—	—	—	—	—
December 31, 2012	571	67	638	20	658
Proved developed reserves as of:					
December 31, 2012	431	11	442	20	462
Proved developed-producing reserves as of:					
December 31, 2012	406	10	416	19	435
Proved undeveloped reserves as of:					
December 31, 2012	140	56	196	—	196

	Total (MMBoe)(1)				
	U.S.			Canada	Total
	Devon Historical	GeoSouthern Historical	Combined	Devon Historical	Pro Forma
Proved developed and undeveloped reserves:					
December 31, 2011	2,278	89	2,367	727	3,094
Revisions due to prices	(159)	—	(159)	(12)	(171)
Revisions other than price	(67)	46	(21)	(1)	(22)
Extensions and discoveries	367	186	553	82	635
Purchases of reserves	—	—	—	—	—
Production	(183)	(11)	(194)	(67)	(261)
Sale of reserves	—	—	—	(2)	(2)
December 31, 2012	2,236	310	2,546	727	3,273
Proved developed reserves as of:					
December 31, 2012	1,829	53	1,882	294	2,176
Proved developed-producing reserves as of:					
December 31, 2012	1,743	48	1,791	278	2,069
Proved undeveloped reserves as of:					
December 31, 2012	407	257	664	433	1,097

(1) Gas reserves are converted to Boe at the rate of six Mcf per Bbl of oil, based upon the approximate relative energy content of gas and oil. This rate is not necessarily indicative of the relationship of natural gas and oil prices. Bitumen and natural gas liquids reserves are converted to Boe on a one-to-one basis with oil.

Proved Undeveloped Reserves

The following table presents the changes in total proved undeveloped reserves during 2012 (in MMBoe) for Devon, GeoSouthern and the combined company on a pro forma basis.

	U.S.			Canada	Total
	Devon Historical	GeoSouthern Historical	Combined	Devon Historical	Pro Forma
Proved undeveloped reserves as of December 31, 2011	403	65	468	379	847
Extensions and discoveries	134	163	297	68	365
Revisions due to prices	(47)	—	(47)	9	(38)
Revisions other than price	(10)	34	24	(6)	18
Conversion to proved developed reserves	(73)	(5)	(78)	(17)	(95)
Proved undeveloped reserves as of December 31, 2012	407	257	664	433	1,097

Standardized Measure

The following table presents the standardized measure of discounted future net cash flows relating to proved reserves for Devon, GeoSouthern and the combined company on a pro forma basis.

	U.S.			Canada	Total
	Devon Historical	GeoSouthern Historical	Combined	Devon Historical	Pro Forma
			(In millions)		
Future cash inflows	$ 55,297	$ 19,656	$ 74,953	$ 33,570	$108,523
Future costs:					
Development	(6,556)	(2,505)	(9,061)	(6,211)	(15,272)
Production	(24,265)	(4,401)	(28,666)	(16,611)	(45,277)
Future income tax expense (1)	(6,542)	(2,836)	(9,378)	(1,992)	(11,370)
Future net cash flows	17,934	9,914	27,848	8,756	36,604
10% discount to reflect timing of cash flows	(9,036)	(4,625)	(13,661)	(4,433)	(18,094)
Standardized measure of discounted future net cash flows	$ 8,898	$ 5,289	$ 14,187	$ 4,323	$ 18,510

(1) On a historical basis, GeoSouthern was not subject to federal income taxes but was subject to Texas margin tax. However, for purposes of calculating GeoSouthern's historical standardized measure, GeoSouthern was deemed to be part of Devon's overall corporate tax structure and subject to federal income tax. Therefore, an estimated income tax provision based on statutory tax rates is included in GeoSouthern's historical standardized measure.

The principal changes in Devon's, GeoSouthern's and the combined company's standardized measure of discounted future net cash flows are as follows:

	Year Ended December 31, 2012		
	Devon Historical	GeoSouthern Historical	Pro Forma
		(In millions)	
Beginning balance	$17,844	$ 2,046	$ 19,890
Net changes in prices and production costs	(9,889)	(405)	(10,294)
Oil, bitumen, gas and NGL sales, net of production costs	(4,388)	(658)	(5,046)
Changes in estimated future development costs	(1,094)	110	(984)
Extensions and discoveries, net of future development costs	4,669	3,993	8,662
Purchase of reserves	18	—	18
Sales of reserves in place	(25)	—	(25)
Revisions of quantity estimates	162	651	813
Previously estimated development costs incurred during the period	1,321	103	1,424
Accretion discount	1,420	265	1,685
Other, primarily changes in timing and foreign exchange rates	113	67	180
Net change in income taxes (1)	3,070	(883)	2,187
Ending balance	$13,221	$ 5,289	$ 18,510

(1) On a historical basis, GeoSouthern was not subject to federal income taxes but was subject to Texas margin tax. However, for purposes of calculating GeoSouthern's historical standardized measure, GeoSouthern was deemed to be part of Devon's overall corporate tax structure and subject to federal income tax. Therefore, an estimated income tax provision based on statutory tax rates is included in GeoSouthern's historical standardized measure.