

# DEVON ENERGY CORP/DE

## FORM 8-K (Current report filing)

Filed 05/05/15 for the Period Ending 05/05/15

Address	333 W. SHERIDAN AVENUE OKLAHOMA CITY, OK 73102
Telephone	4055528183
CIK	0001090012
Symbol	DVN
SIC Code	1311 - Crude Petroleum and Natural Gas
Fiscal Year	12/31

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

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**FORM 8-K**

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

**Date of Report (Date of earliest event reported): May 5, 2015**

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**DEVON ENERGY CORPORATION**  
(Exact Name of Registrant as Specified in its Charter)

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**DELAWARE**  
(State or Other Jurisdiction of  
Incorporation or Organization)

**001-32318**  
(Commission  
File Number)

**73-1567067**  
(IRS Employer  
Identification Number)

**333 W. SHERIDAN AVE., OKLAHOMA CITY, OK**  
(Address of Principal Executive Offices)

**73102**  
(Zip Code)

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

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

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

Devon Energy Corporation hereby furnishes the information set forth in its news release dated May 5, 2015 announcing first quarter 2015 financial results, a copy of which is attached as Exhibit 99.1.

**Item 9.01 Financial Statements and Exhibits****(d) Exhibits**

99.1 Devon Energy Corporation news release dated May 5, 2015.

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**SIGNATURES**

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

**DEVON ENERGY CORPORATION**

By: /s/ Thomas L. Mitchell

Thomas L. Mitchell  
Executive Vice President and  
Chief Financial Officer

Date: May 5, 2015



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

## NEWS RELEASE

### Devon Energy Reports First-Quarter 2015 Results

- Exceeded production guidance for third consecutive quarter
- Achieved Company record 272,000 barrels of oil per day
- Reduced operating costs 9 percent year over year
- Completed accretive EnLink transactions
- Increased 2015 oil production growth outlook to a range of 25 to 35 percent
- Reduced 2015 capital spending 6 percent

**OKLAHOMA CITY - May 5, 2015** - Devon Energy Corp. (NYSE:DVN) today announced core earnings of \$89 million, or \$0.22 per diluted share, for the first quarter of 2015. The Company's total cash inflows for the quarter reached \$2.2 billion, consisting of \$1.6 billion of operating cash flow and \$569 million of proceeds received from the sale of EnLink common units.

"Devon delivered outstanding operational results in the first quarter as we continued to deliver superior execution across our repositioned asset portfolio," said John Richels, president and CEO. "Our focused drilling activity has generated production growth that exceeded our guidance for the third consecutive quarter, our capital programs benefited from substantial service cost savings and we did an exceptional job controlling operating expenses.

"Additionally, the proceeds from the sale of EnLink units allow us to further strengthen our investment-grade balance sheet and enhance our liquidity position," Richels said. "Combined with our recent sale of the Victoria Express Pipeline to EnLink, which closed early in the second quarter, we generated approximately \$870 million of value for our shareholders at a substantial premium to Devon's current trading multiple."

On a reported basis, due to a non-cash, full-cost ceiling charge, Devon had a net loss of \$3.6 billion for the first-quarter 2015. This compares with first-quarter 2014 reported net earnings of \$324 million.

### Production Exceeds Guidance for Third Consecutive Quarter

Total production from Devon's retained asset base averaged 685,000 oil-equivalent barrels (Boe) per day during the first quarter of 2015. This result exceeded the top end of the Company's guidance range by 12,000 Boe per day and represents a 22 percent increase compared to the first quarter of 2014. Liquids accounted for 60 percent of the Company's production mix.

Devon delivered record oil production of 272,000 barrels per day in the first quarter. This result also exceeded the top end of the Company's guidance range by 12,000 barrels per day and represents a 55 percent increase compared to the first quarter of 2014. The most significant growth came from the Company's U.S. operations, where oil production increased a substantial 72 percent for the quarter year over year.

The strong growth in U.S. production was largely attributable to prolific well results from the Company's world-class Eagle Ford assets. Net production in the Eagle Ford averaged 122,000 Boe per day in the first quarter, a 23 percent increase compared to the fourth quarter of 2014 and nearly a 140% increase in production compared to Devon's first month of ownership in March 2014. In addition, the Company achieved another quarter of strong production growth in the Delaware Basin, where net production averaged 53,000 Boe per day, an increase of 15 percent compared to the fourth quarter of 2014.

Devon's heavy-oil operations in Canada also delivered impressive production growth. In aggregate, net oil production from the Company's heavy-oil projects increased to a record 104,000 barrels per day in the first quarter. Driven by the continued ramp-up of the Jackfish 3 facility, net oil production in Canada increased 33 percent compared to the first quarter of 2014.

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## **Devon Raises 2015 Production Outlook; Lowering E&P Capital Budget**

Detailed forward-looking guidance for the second quarter and full-year 2015 is provided later in the release. A notable update from this revised outlook is Devon raising its total oil production growth to a range of 25 to 35 percent, a substantial increase from the Company's previous full-year growth guidance of 20 to 25 percent. Due to the improving outlook for oil production, the Company has also raised its top-line production growth guidance in 2015 to a range of 5 to 10 percent.

In addition to higher production, Devon is also benefiting from lower capital requirements. The Company's 2015 E&P capital program is now expected to range from \$3.9 to \$4.1 billion. This represents a \$250 million reduction in capital spending compared to the Company's previous guidance.

### **Operations Report**

For additional details on Devon's E&P operations, please refer to the Company's first-quarter 2015 Operations Report at [www.devonenergy.com](http://www.devonenergy.com). Highlights from the report include:

- Eagle Ford delivers significant production growth
- Bone Spring and Powder River Basin type curves raised
- Jackfish 3 ramp-up drives growth in Canada
- Emerging Meramec potential expands

### **Hedges Increase Upstream Revenue; Midstream Profit Rises**

Revenue from oil, natural gas and natural gas liquids sales totaled \$1.3 billion in the first quarter of 2015, with oil revenue increasing to 64 percent of total upstream revenues. This increased oil sales weighting was attributable to the Company's substantial growth in both U.S. and Canadian oil production during the quarter.

Cash settlements related to the Company's oil and natural gas hedges increased revenue by nearly \$600 million, or approximately \$10 per Boe, in the first quarter. At the end of March, Devon's commodity hedges had a fair-market value of \$1.6 billion.

The Company's midstream operating profit reached \$193 million in the first quarter. This result represents a 6 percent increase compared to the first quarter of 2014 and was right in line with guidance. The year-over-year increase in midstream operating profit was driven by continued growth from EnLink Midstream.

### **Cost Reduction Initiatives Delivering Strong Results**

The Company has several cost reduction initiatives underway that positively impacted first-quarter results. Field-level operating costs, which includes both lease operating expenses (LOE) and production taxes, declined 9 percent to \$10.73 per Boe compared to the first quarter of 2014.

The most significant operating cost savings came from LOE, which is the Company's largest field-level cost. LOE declined 7 percent compared to the year-ago period to \$8.97 per Boe and was 7 percent below the low end of Devon's guidance range. These LOE cost savings were realized across all regions of the Company's portfolio.

Based on year-to-date cost savings, Devon now expects the midpoint of its full-year 2015 LOE to decline to around \$9.30 per Boe. Compared to previous guidance, this implies a full-year cash cost savings of around \$170 million.

Production and property taxes were \$108 million in the first quarter of 2015, a 21 percent decline year over year. The decline was driven by lower production taxes resulting from lower upstream revenue.

General and administrative expenses (G&A) totaled \$251 million in the first quarter of 2015, essentially flat compared to the fourth quarter of 2014. Of this first-quarter G&A expense, \$41 million was attributable to non-cash related items. Excluding non-cash items, G&A declined 7 percent sequentially.

Excluding non-recurring items, Devon's income tax rate was 36 percent of pre-tax earnings for the first quarter of 2015. Of this adjusted rate, the Company incurred a current tax rate of 8 percent, with a deferred tax rate of 28 percent for the quarter.

### **Accretive Midstream Transactions Strengthen Balance Sheet**

Devon recently utilized its strategic investment in EnLink to further strengthen its financial position through a series of highly accretive transactions. In aggregate, the total value of these transactions for Devon was approximately \$870 million.

The first of these transactions occurred on March 23, with the announced sale of its Victoria Express Pipeline in the Eagle Ford to EnLink Midstream Partners (NYSE: ENLK). Total consideration for this highly accretive transaction was approximately \$215 million or about 10 times 2015 estimated EBITDA. This asset transaction closed on April 1, 2015, with cash proceeds received in the second quarter.

On March 24, Devon commenced a secondary offering of 22.8 million ENLK partnership units. This offering settled in late March, with the Company realizing total cash proceeds of \$569 million. Subsequent to quarter end, underwriters fully exercised their option to purchase an additional 3.4 million ENLK partnership units from Devon. This resulted in an incremental \$85 million of proceeds received in the second-quarter.

With investment-grade credit ratings and cash balances of \$1.9 billion at the end of the first quarter, Devon's financial position remains exceptionally strong. At March 31, the Company's net debt, excluding non-recourse EnLink obligations, totaled \$7.5 billion.

### **Non-GAAP Reconciliations**

Pursuant to regulatory disclosure requirements, Devon is required to reconcile non-GAAP financial measures to the related GAAP information (GAAP refers to generally accepted accounting principles). Core earnings and net debt are non-GAAP financial measures referenced within this release. Reconciliations of these non-GAAP measures are provided later in this release.

### **Conference Call Webcast and Supplemental Earnings Materials**

Please note that as soon as practicable today, Devon will post additional information, consisting of an operations report and management commentary with associated slides, to its website at [www.devonenergy.com](http://www.devonenergy.com). The Company's first-quarter 2015 conference call will be held at 10 a.m. Central (11 a.m. Eastern) on Wednesday, May 6, 2015, and will serve primarily as a forum for analyst and investor questions and answers.

### **Forward-Looking Statements**

*This press release includes "forward-looking statements" as defined by the Securities and Exchange Commission (SEC). Such statements include those concerning strategic plans, expectations and objectives for future operations, and are often identified by use of the words "forecasts", "projections", "estimates", "plans", "expectations", "targets", "opportunities", "potential", "outlook" and other similar terminology. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company. Statements regarding future drilling and production are subject to all of the risks and uncertainties normally incident to the exploration for and development and production of oil and gas. These risks include, but are not limited to, the volatility of oil, natural gas and NGL prices; uncertainties inherent in estimating oil, natural gas and NGL reserves; the extent to which we are successful in acquiring and discovering additional reserves; unforeseen changes in the rate of production from our oil and gas properties; uncertainties in future exploration and drilling*

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*results; uncertainties inherent in estimating the cost of drilling and completing wells; drilling risks; competition for leases, materials, people and capital; midstream capacity constraints and potential interruptions in production; risk related to our hedging activities; environmental risks; political changes; changes in laws or regulations; our limited control over third parties who operate our oil and gas properties; our ability to successfully complete mergers, acquisitions and divestitures; and other risks identified in our Form 10-K and our other filings with the SEC. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements. The forward-looking statements in this press release are made as of the date of this press release, even if subsequently made available by Devon on its website or otherwise. Devon does not undertake any obligation to update the forward-looking statements as a result of new information, future events or otherwise.*

*The SEC permits oil and gas companies, in their filings with the SEC, to disclose only proved, probable and possible reserves that meet the SEC's definitions for such terms, and price and cost sensitivities for such reserves, and prohibits disclosure of resources that do not constitute such reserves. This release may contain certain terms, such as resource potential and exploration target size. These estimates are by their nature more speculative than estimates of proved, probable and possible reserves and accordingly are subject to substantially greater risk of being actually realized. The SEC guidelines strictly prohibit us from including these estimates in filings with the SEC. U.S. investors are urged to consider closely the disclosure in our Form 10-K, available at [www.devonenergy.com](http://www.devonenergy.com). You can also obtain this form from the SEC by calling 1-800-SEC-0330 or from the SEC's website at [www.sec.gov](http://www.sec.gov).*

### **About Devon Energy**

Devon Energy is a leading independent energy Company engaged in finding and producing oil and natural gas. Based in Oklahoma City and included in the S&P 500, Devon operates in several of the most prolific oil and natural gas plays in the U.S. and Canada with an emphasis on a balanced portfolio. The Company is the second-largest oil producer among North American onshore independents. For more information, please visit [www.devonenergy.com](http://www.devonenergy.com).

### **Investor Contacts**

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### **Media Contact**

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DEVON ENERGY CORPORATION  
FINANCIAL AND OPERATIONAL INFORMATION

**PRODUCTION NET OF ROYALTIES**

	Quarter Ended March 31,	
	2015	2014
<b>Oil and bitumen (MBbls/d)</b>		
United States	168	98
Canada	104	78
Retained assets	272	176
Divested assets	—	14
Total	<u>272</u>	<u>190</u>
<b>Natural gas liquids (MBbls/d)</b>		
United States	139	119
Divested assets	—	16
Total	<u>139</u>	<u>135</u>
<b>Gas (MMcf/d)</b>		
United States	1,617	1,587
Canada	28	20
Retained assets	1,645	1,607
Divested assets	—	585
Total	<u>1,645</u>	<u>2,192</u>
<b>Oil equivalent (MBoe/d)</b>		
United States	576	482
Canada	109	81
Retained assets	685	563
Divested assets	—	128
Total	<u>685</u>	<u>691</u>

**KEY OPERATING STATISTICS BY REGION**

	Quarter Ended March 31, 2015		
	Avg. Production (MBoe/d)	Gross Wells Drilled	Operated Rigs at March 31, 2015
Eagle Ford	122	87	1
Permian Basin	102	67	15
Canadian Heavy Oil	109	21	2
Anadarko Basin	88	24	8
Barnett Shale	191	—	—
Rockies	22	13	2
Other assets	51	16	2
<b>Total</b>	<u>685</u>	<u>228</u>	<u>30</u>

DEVON ENERGY CORPORATION  
FINANCIAL AND OPERATIONAL INFORMATION

**PRODUCTION TREND**

	<u>2014</u> <u>Quarter 1</u>	<u>2014</u> <u>Quarter 2</u>	<u>2014</u> <u>Quarter 3</u>	<u>2014</u> <u>Quarter 4</u>	<u>2015</u> <u>Quarter 1</u>
<b>Oil (MBbls/d)</b>					
Eagle Ford	11	40	47	60	75
Permian Basin	55	55	56	55	60
Canadian Heavy Oil	78	77	80	93	104
Anadarko Basin	9	11	10	10	9
Barnett Shale	2	2	2	2	1
Rockies	8	8	10	9	12
Other assets	13	12	11	10	11
Retained assets	176	205	216	239	272
Divested assets	14	4	3	—	—
Total	<u>190</u>	<u>209</u>	<u>219</u>	<u>239</u>	<u>272</u>
<b>Natural gas liquids (MBbls/d)</b>					
Eagle Ford	3	11	14	18	23
Permian Basin	16	18	19	20	19
Anadarko Basin	29	31	34	34	30
Barnett Shale	55	55	54	53	51
Rockies	1	1	1	1	1
Other assets	15	14	16	15	15
Retained assets	119	130	138	141	139
Divested assets	16	6	5	—	—
Total	<u>135</u>	<u>136</u>	<u>143</u>	<u>141</u>	<u>139</u>
<b>Gas (MMcf/d)</b>					
Eagle Ford	24	88	109	127	143
Permian Basin	121	134	136	137	137
Canadian Heavy Oil	20	23	26	23	28
Anadarko Basin	281	309	323	329	297
Barnett Shale	931	932	896	878	827
Rockies	65	67	66	58	53
Other assets	165	159	160	155	160
Retained assets	1,607	1,712	1,716	1,707	1,645
Divested assets	585	219	138	3	—
Total	<u>2,192</u>	<u>1,931</u>	<u>1,854</u>	<u>1,710</u>	<u>1,645</u>
<b>Oil equivalent (MBoe/d)</b>					
Eagle Ford	18	65	79	99	122
Permian Basin	91	95	98	98	102
Canadian Heavy Oil	81	81	84	97	109
Anadarko Basin	85	93	98	100	88
Barnett Shale	213	212	205	201	191
Rockies	20	21	22	19	22
Other assets	55	53	54	50	51
Retained assets	563	620	640	664	685
Divested assets	128	47	31	1	—
Total	<u>691</u>	<u>667</u>	<u>671</u>	<u>665</u>	<u>685</u>

DEVON ENERGY CORPORATION  
FINANCIAL AND OPERATIONAL INFORMATION

**BENCHMARK PRICES**

(average prices)	<u>Quarter Ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Natural Gas (\$/Mcf) - Henry Hub	\$ 2.99	\$ 4.95
Oil (\$/Bbl) - West Texas Intermediate (Cushing)	\$ 48.87	\$ 98.66

**REALIZED PRICES**

	<u>Quarter Ended March 31, 2015</u>			
	<u>Oil /Bitumen (Per Bbl)</u>	<u>NGL (Per Bbl)</u>	<u>Gas (Per Mcf)</u>	<u>Total (Per Boe)</u>
United States	\$ 42.80	\$ 9.40	\$ 2.47	\$ 21.66
Canada <sup>(1)</sup>	\$ 22.87	\$ N/M	\$ 1.12	\$ 22.16
Realized price without hedges	\$ 35.17	\$ 9.40	\$ 2.45	\$ 21.74
Cash settlements	\$ 21.12	\$ —	\$ 0.51	\$ 9.62
Realized price, including cash settlements	<u>\$ 56.29</u>	<u>\$ 9.40</u>	<u>\$ 2.96</u>	<u>\$ 31.36</u>

	<u>Quarter Ended March 31, 2014</u>			
	<u>Oil /Bitumen (Per Bbl)</u>	<u>NGL (Per Bbl)</u>	<u>Gas (Per Mcf)</u>	<u>Total (Per Boe)</u>
United States	\$ 91.66	\$ 29.66	\$ 4.33	\$ 39.44
Canada <sup>(1)</sup>	\$ 61.76	\$ 51.80	\$ 4.14	\$ 46.71
Realized price without hedges	\$ 77.75	\$ 31.15	\$ 4.30	\$ 41.13
Cash settlements	\$ (2.10)	\$ (0.02)	\$ (0.33)	\$ (1.61)
Realized price, including cash settlements	<u>\$ 75.65</u>	<u>\$ 31.13</u>	<u>\$ 3.97</u>	<u>\$ 39.52</u>

- (1) The reported Canadian gas volumes include volumes that are produced from certain of our leases and then transported to our Jackfish operations where the gas is used as fuel. However, the revenues and expenses related to this consumed gas are eliminated in our consolidated financials.

DEVON ENERGY CORPORATION  
FINANCIAL AND OPERATIONAL INFORMATION

**CONSOLIDATED STATEMENTS OF EARNINGS**

(in millions, except per share amounts)	Quarter Ended March 31,	
	2015	2014
Oil, gas and NGL sales	\$ 1,339	\$2,557
Oil, gas and NGL derivatives	294	(320)
Marketing and midstream revenues	1,632	1,488
Total operating revenues	3,265	3,725
Lease operating expenses	553	598
Marketing and midstream operating expenses	1,439	1,305
General and administrative expenses	251	211
Production and property taxes	108	137
Depreciation, depletion and amortization	930	739
Asset impairments	5,460	—
Restructuring costs	—	37
Gains and losses on asset sales	—	(15)
Other operating items	19	23
Total operating expenses	8,760	3,035
Operating income (loss)	(5,495)	690
Net financing costs	117	112
Other nonoperating items	12	18
Earnings (loss) before income taxes	(5,624)	560
Income tax expense (benefit)	(2,035)	231
Net earnings (loss)	(3,589)	329
Net earnings attributable to noncontrolling interests	10	5
Net earnings (loss) attributable to Devon	\$(3,599)	\$ 324
Net earnings (loss) per share attributable to Devon:		
Basic	\$ (8.88)	\$ 0.80
Diluted	\$ (8.88)	\$ 0.79
Weighted average common shares outstanding:		
Basic	410	407
Diluted	410	408

DEVON ENERGY CORPORATION  
FINANCIAL AND OPERATIONAL INFORMATION

**CONSOLIDATING STATEMENTS OF OPERATIONS**

(in millions)	Quarter Ended March 31, 2015				
	Devon U.S.	& Canada	EnLink	Eliminations	Total
Oil, gas and NGL sales	\$ 1,339	\$ —	\$ —	\$ —	\$ 1,339
Oil, gas and NGL derivatives	294	—	—	—	294
Marketing and midstream revenues	852	936	(156)	—	1,632
Total operating revenues	2,485	936	(156)	—	3,265
Lease operating expenses	553	—	—	—	553
Marketing and midstream operating expenses	852	743	(156)	—	1,439
General and administrative expenses	209	42	—	—	251
Production and property taxes	97	11	—	—	108
Depreciation, depletion and amortization	840	90	—	—	930
Asset impairments	5,460	—	—	—	5,460
Other operating items	19	—	—	—	19
Total operating expenses	8,030	886	(156)	—	8,760
Operating income (loss)	(5,545)	50	—	—	(5,495)
Net financing costs	98	19	—	—	117
Other nonoperating items	16	(4)	—	—	12
Earnings (loss) before income taxes	(5,659)	35	—	—	(5,624)
Income tax expense (benefit)	(2,046)	11	—	—	(2,035)
Net earnings (loss)	(3,613)	24	—	—	(3,589)
Net earnings attributable to noncontrolling interests	—	10	—	—	10
Net earnings (loss) attributable to Devon	\$ (3,613)	\$ 14	\$ —	\$ —	\$(3,599)

DEVON ENERGY CORPORATION  
FINANCIAL AND OPERATIONAL INFORMATION

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions)	Quarter Ended March 31,	
	2015	2014
<b>Cash flows from operating activities:</b>		
Net earnings (loss)	\$(3,589)	\$ 329
Adjustments to reconcile net earnings (loss) to net cash from operating activities:		
Depreciation, depletion and amortization	930	739
Asset impairments	5,460	—
Gains and losses on asset sales	—	(15)
Deferred income tax expense (benefit)	(2,047)	208
Derivatives and other financial instruments	(430)	307
Cash settlements on derivatives and financial instruments	719	(54)
Other noncash charges	225	123
Net change in working capital	215	(152)
Change in long-term other assets	141	(88)
Change in long-term other liabilities	24	13
Net cash from operating activities	<u>1,648</u>	<u>1,410</u>
<b>Cash flows from investing activities:</b>		
Capital expenditures	(1,717)	(1,583)
Acquisitions of property, equipment and businesses	(404)	(5,935)
Divestitures of property and equipment	2	142
Redemptions of long-term investments	—	57
Other	3	37
Net cash from investing activities	<u>(2,116)</u>	<u>(7,282)</u>
<b>Cash flows from financing activities:</b>		
Borrowings of long-term debt, net of issuance costs	957	3,346
Net borrowings of short-term debt	15	257
Repayments of long-term debt	(487)	(1,577)
Stock option exercises	—	11
Sale of subsidiary units	569	—
Issuance of subsidiary units	2	—
Dividends paid on common stock	(99)	(90)
Distributions to noncontrolling interests	(53)	(100)
Other	(12)	(3)
Net cash from financing activities	<u>892</u>	<u>1,844</u>
Effect of exchange rate changes on cash	(46)	(11)
Net change in cash and cash equivalents	378	(4,039)
Cash and cash equivalents at beginning of period	<u>1,480</u>	<u>6,066</u>
Cash and cash equivalents at end of period	<u>\$ 1,858</u>	<u>\$ 2,027</u>

DEVON ENERGY CORPORATION  
FINANCIAL AND OPERATIONAL INFORMATION

**CONSOLIDATED BALANCE SHEETS**

	<b>March 31,</b>	<b>December 31,</b>
(in millions)	<b>2015</b>	<b>2014</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 1,858	\$ 1,480
Accounts receivable	1,663	1,959
Derivatives, at fair value	1,706	1,993
Income taxes receivable	—	522
Other current assets	579	544
<b>Total current assets</b>	<b>5,806</b>	<b>6,498</b>
<b>Property and equipment, at cost:</b>		
<b>Oil and gas, based on full cost accounting:</b>		
Subject to amortization	75,952	75,738
Not subject to amortization	2,656	2,752
<b>Total oil and gas</b>	<b>78,608</b>	<b>78,490</b>
Midstream and other	10,109	9,695
<b>Total property and equipment, at cost</b>	<b>88,717</b>	<b>88,185</b>
<b>Less accumulated depreciation, depletion and amortization</b>	<b>(57,262)</b>	<b>(51,889)</b>
<b>Property and equipment, net</b>	<b>31,455</b>	<b>36,296</b>
Goodwill	6,328	6,303
Other long-term assets	1,753	1,540
<b>Total assets</b>	<b>\$ 45,342</b>	<b>\$ 50,637</b>
<b>Current liabilities:</b>		
Accounts payable	\$ 1,335	\$ 1,400
Revenues and royalties payable	1,054	1,193
Short-term debt	1,448	1,432
Deferred income taxes	638	730
Other current liabilities	1,085	1,180
<b>Total current liabilities</b>	<b>5,560</b>	<b>5,935</b>
Long-term debt	10,301	9,830
Asset retirement obligations	1,373	1,339
Other long-term liabilities	922	948
Deferred income taxes	4,167	6,244
<b>Stockholders' equity:</b>		
Common stock	41	41
Additional paid-in capital	4,542	4,088
Retained earnings	12,933	16,631
Accumulated other comprehensive earnings	481	779
<b>Total stockholders' equity attributable to Devon</b>	<b>17,997</b>	<b>21,539</b>
Noncontrolling interests	5,022	4,802
<b>Total stockholders' equity</b>	<b>23,019</b>	<b>26,341</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 45,342</b>	<b>\$ 50,637</b>
Common shares outstanding	411	409

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**CAPITAL EXPENDITURES**

(in millions)	Quarter Ended March 31, 2015		
	U.S.	Canada	Total
Exploration / Appraisal	\$ 128	\$ 53	\$ 181
Development	1,008	137	1,145
Exploration and development capital	\$ 1,136	\$ 190	\$ 1,326
Capitalized G&A			94
Capitalized interest			13
Acquisitions			92
Devon midstream capital			41
Other capital			27
Total <sup>(1)</sup>			<u>\$ 1,593</u>

(1) Excludes \$489 million attributable to EnLink.

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**NON-GAAP FINANCIAL MEASURES**

The United States Securities and Exchange Commission has adopted disclosure requirements for public companies such as Devon concerning Non-GAAP financial measures (GAAP refers to generally accepted accounting principles). The Company must reconcile the Non-GAAP financial measure to related GAAP information.

**CORE EARNINGS**

(in millions)

Devon's reported net earnings include items of income and expense that are typically excluded by securities analysts in their published estimates of the Company's financial results. Accordingly, the company also uses the measures of core earnings and core earnings per diluted share. Devon believes these non-GAAP measures facilitate comparisons of its performance to earnings estimates published by securities analysts. Devon also believes these non-GAAP measures can facilitate comparisons of its performance between periods and to the performance of its peers. The following table summarizes the effects of these items on first-quarter 2015 earnings.

	<b>Quarter Ended March 31, 2015</b>	
	<b>Before-Tax</b>	<b>After-Tax</b>
Net loss attributable to Devon (GAAP)		\$ (3,599)
Asset impairments	5,460	3,467
Fair value changes in financial instruments and foreign currency	319	221
Core earnings attributable to Devon (Non-GAAP)		\$ 89
Diluted share count		413
Core diluted earnings per share attributable to Devon		\$ 0.22

**NET DEBT**

(in millions)

Devon defines net debt as debt less cash and cash equivalents and net debt attributable to the consolidation of EnLink Midstream as presented in the following table. Devon believes that netting these sources of cash against debt and adjusting for EnLink net debt provides a clearer picture of the future demands on cash from Devon to repay debt.

	<b>March 31,</b>	
	<b>2015</b>	<b>2014</b>
Total debt (GAAP)	\$11,749	\$15,512
Cash and cash equivalents	(1,858)	(2,027)
Consolidated net debt (Non-GAAP)	9,891	13,485
Non-recourse EnLink obligations	(2,494)	(1,732)
EnLink cash and cash equivalents	110	221
Net debt (Non-GAAP)	\$ 7,507	\$11,974

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**PRODUCTION GUIDANCE**

	<u>Quarter 2</u>		<u>Full Year</u>	
	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
<b>Oil and bitumen (MBbls/d)</b>				
United States	165	170	160	170
Canada	95	100	100	110
Total	<u>260</u>	<u>270</u>	<u>260</u>	<u>280</u>
<b>Natural gas liquids (MBbls/d)</b>				
United States	130	140	128	134
<b>Gas (MMcf/d)</b>				
United States	1,600	1,650	1,550	1,600
Canada	20	20	20	20
Total	<u>1,620</u>	<u>1,670</u>	<u>1,570</u>	<u>1,620</u>
<b>Oil equivalent (MBoe/d)</b>				
United States	562	585	546	571
Canada	98	103	103	113
Total	<u>660</u>	<u>688</u>	<u>649</u>	<u>684</u>

**PRICE REALIZATIONS GUIDANCE**

	<u>Quarter 2</u>		<u>Full Year</u>	
	<u>Low</u>	<u>High</u>	<u>Low</u>	<u>High</u>
<b>Oil and bitumen - % of WTI</b>				
United States	84%	94%	85%	95%
Canada	52%	62%	49%	59%
NGL - realized price	\$ 7	\$ 12	\$ 6	\$ 16
Natural gas - % of Henry Hub	78%	88%	79%	89%

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**OTHER GUIDANCE ITEMS**

(\$ millions, except Boe)	Quarter 2		Full Year	
	Low	High	Low	High
Marketing & midstream operating profit	\$ 185	\$ 215	\$ 860	\$ 920
Lease operating expenses per Boe	\$ 9.00	\$ 9.60	\$ 9.00	\$ 9.60
General & administrative expenses per Boe	\$ 3.60	\$ 3.90	\$ 3.75	\$ 4.25
Production and property taxes as % of upstream sales	7.9%	8.9%	7.4%	8.4%
Depreciation, depletion and amortization per Boe	\$13.50	\$14.50	\$13.75	\$14.75
Other operating items	\$ 15	\$ 20	\$ 60	\$ 80
Net financing costs	\$ 110	\$ 130	\$ 460	\$ 520
Current income tax rate	4.0%	9.0%	4.0%	9.0%
Deferred income tax rate	26.0%	31.0%	26.0%	31.0%
Total income tax rate	<u>30.0%</u>	<u>40.0%</u>	<u>30.0%</u>	<u>40.0%</u>
Net earnings attributable to noncontrolling interests	\$ 5	\$ 25	\$ 50	\$ 100

**CAPITAL EXPENDITURES GUIDANCE**

(in millions)	Quarter 2		Full Year	
	Low	High	Low	High
Exploration and development	\$ 950	\$1,050	\$3,900	\$4,100
Capitalized G&A and interest	100	120	400	500
Midstream <sup>(1)</sup>	20	40	110	160
Corporate and other	30	40	100	150
Devon capital expenditures	<u>\$1,100</u>	<u>\$1,250</u>	<u>\$4,510</u>	<u>\$4,910</u>

(1) Excludes capital expenditures related to EnLink.

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**COMMODITY HEDGES**

Period	Oil Commodity Hedges						
	Price Swaps		Price Collars			Call Options Sold	
	Volume (Bbls/d)	Weighted Average Price (\$/Bbl)	Volume (Bbls/d)	Weighted Average Floor Price (\$/Bbl)	Weighted Average Ceiling Price (\$/Bbl)	Volume (Bbls/d)	Weighted Average Price (\$/Bbl)
Q2-Q4 2015	106,442	\$ 91.07	31,500	\$ 89.67	\$ 97.84	28,000	\$ 116.43

Period	Oil Basis Swaps		
	Index	Volume (Bbls/d)	Weighted Average Differential to WTI (\$/Bbl)
Q2-Q4 2015	Western Canadian Select	36,320	\$ (16.35)

Period	Natural Gas Commodity Hedges						
	Price Swaps		Price Collars			Call Options Sold	
	Volume (MMBtu/d)	Weighted Average Price (\$/MMBtu)	Volume (MMBtu/d)	Weighted Average Floor Price (\$/MMBtu)	Weighted Average Ceiling Price (\$/MMBtu)	Volume (MMBtu/d)	Weighted Average Price (\$/MMBtu)
Q2-Q4 2015	250,000	\$ 4.32	391,964	\$ 3.74	\$ 4.04	550,000	\$ 5.09

Devon's oil derivatives settle against the average of the prompt month NYMEX West Texas Intermediate futures price. Devon's natural gas derivatives settle against the Inside FERC first of the month Henry Hub index.