DEVON ENERGY CORP/DE

FORM 10-Q
(Quarterly Report)

Filed 08/07/08 for the Period Ending 06/30/08

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

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2008

or

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

Commission File No. 001-32318

Devon Energy Corporation
(Exact Name of Registrant as Specified in its Charter)

Delaware *(State or Other Jurisdiction of Incorporation or Organization)*	**73-1567067** *(I.R.S. Employer Identification Number)*
20 North Broadway **Oklahoma City, Oklahoma** *(Address of Principal Executive Offices)*	**73102-8260** *(Zip Code)*

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

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

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

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

Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller Reporting Company ☐

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

As of July 31, 2008, 441.8 million shares of the registrant's common stock were outstanding.

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DEVON ENERGY CORPORATION

INDEX TO FORM 10-Q QUARTERLY REPORT
TO THE SECURITIES AND EXCHANGE COMMISSION

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This report includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts included or incorporated by reference in this report, including, without limitation, statements regarding our future financial position, business strategy, budgets, projected revenues, projected costs and plans and objectives of management for future operations, are forward-looking statements. Such forward-looking statements are based on our examination of historical operating trends, the information that was used to prepare the December 31, 2007 reserve reports and other data in our possession or available from third parties. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "project," "estimate," "anticipate," "believe," or "continue" or similar terminology. Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to, our assumptions about:

- energy markets;
- production levels, including our Canadian production subject to government royalties, which fluctuate with prices and production, and portions of our International production governed by payout agreements which affect reported production;
- reserve levels;
- competitive conditions;
- technology;
- the availability of capital resources;
- capital expenditure and other contractual obligations;
- the supply and demand for oil, natural gas, NGLs and other energy products or services;
- the price of oil, natural gas, NGLs and other energy products or services;
- currency exchange rates, particularly the Canadian-to-U.S. dollar exchange rate;
- the weather;
- inflation;
- the availability of goods and services;
- drilling risks;
- future processing volumes and pipeline throughput;
- general economic conditions, whether internationally, nationally or in the jurisdictions in which we or our subsidiaries conduct business;
- legislative or regulatory changes, including retroactive royalty or production tax regimes, changes in environmental regulation, environmental risks and liability under federal, state and foreign environmental laws and regulations;
- terrorism;
- occurrence of property acquisitions or divestitures or the timing of such planned transactions;
- the securities or capital markets and related risks such as general credit, liquidity, market and interest-rate risks; and
- other factors disclosed in Devon's 2007 Annual Report on Form 10-K/A under "Item 2. Properties — Proved Reserves and Estimated Future Net Revenue," "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Item 7A. Quantitative and Qualitative Disclosures About Market Risk."

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

DEFINITIONS

AS USED IN THIS DOCUMENT:

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

"Bcf" means billion cubic feet.

"Boe" means barrel of oil equivalent, determined by using the ratio of one Bbl of oil or NGLs to six Mcf of gas.

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

"Federal Funds Rate" means the interest rate that financial institutions charge each other for the use of United States Treasury funds.

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

"LIBOR" means London Interbank Offered Rate.

"Mcf" means thousand cubic feet.

"MMBbls" means million barrels.

"MMBoe" means million Boe.

"MMBtu" means million Btu.

"Oil" includes crude oil and condensate.

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

"NYMEX" means New York Mercantile Exchange.

"SEC" means United States Securities and Exchange Commission.

"Domestic" means the properties of Devon in the onshore continental United States and the offshore Gulf of Mexico.

"Canada" means the division of Devon encompassing oil and gas properties located in Canada.

"International" means the division of Devon encompassing oil and gas properties that lie outside the United States and Canada.

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PART I. Financial Information

Item 1. ***Consolidated Financial Statements***

DEVON ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	June 30, 2008 (Unaudited)	December 31, 2007
	(In millions)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,837	$ 1,364
Short-term investments, at fair value	1	372
Accounts receivable	2,460	1,779
Deferred income taxes	775	44
Current assets held for sale	105	120
Other current assets	255	235
Total current assets	5,433	3,914
Property and equipment, at cost, based on the full cost method of accounting for oil and gas properties ($3,741 and $3,417 excluded from amortization in 2008 and 2007, respectively)	51,953	48,473
Less accumulated depreciation, depletion and amortization	21,769	20,394
	30,184	28,079
Investment in Chevron Corporation common stock, at fair value	1,406	1,324
Goodwill	6,081	6,172
Long-term assets held for sale	84	1,512
Other long-term assets, including $126 million at fair value in 2008	592	455
Total assets	$ 43,780	$ 41,456
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable – trade	$ 1,525	$ 1,360
Revenues and royalties due to others	966	578
Income taxes payable	306	97
Debentures exchangeable into shares of Chevron Corporation common stock	621	—
Other short-term debt	—	1,004
Derivative financial instruments, at fair value	2,125	—
Current portion of asset retirement obligation, at fair value	63	82
Current liabilities associated with assets held for sale	16	145
Accrued expenses and other current liabilities	410	391
Total current liabilities	6,032	3,657
Debentures exchangeable into shares of Chevron Corporation common stock	—	641
Other long-term debt	4,829	6,283
Derivative financial instruments, at fair value	83	488
Asset retirement obligation, at fair value	1,430	1,236
Long-term liabilities associated with assets held for sale	24	404
Other long-term liabilities	905	699
Deferred income taxes	7,044	6,042
Stockholders' equity:		
Preferred stock of $1.00 par value. Authorized 4.5 million shares; issued 1.5 million shares ($150 million aggregate liquidation value) in 2007	—	1
Common stock of $0.10 par value. Authorized 1.0 billion shares; issued 444.9 million and 444.2 million shares in 2008 and 2007, respectively	44	44
Additional paid-in capital	6,591	6,743
Retained earnings	14,717	12,813
Accumulated other comprehensive income	2,131	2,405
Treasury stock, at cost. 0.4 million shares in 2008	(50)	—
Total stockholders' equity	23,433	22,006
Commitments and contingencies (Note 8)		
Total liabilities and stockholders' equity	$ 43,780	$ 41,456

See accompanying notes to consolidated financial statements.

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DEVON ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
	(Unaudited) (In millions, except per share amounts)			
Revenues:				
Oil sales	$ 1,455	$ 865	$ 2,705	$ 1,556
Gas sales	2,210	1,366	3,840	2,612
NGL sales	379	224	707	401
Net (loss) gain on oil and gas derivative financial instruments	(1,215)	14	(2,003)	(6)
Marketing and midstream revenues	719	460	1,274	839
Total revenues	3,548	2,929	6,523	5,402
Expenses and other income, net:				
Lease operating expenses	537	439	1,043	869
Production taxes	176	90	310	170
Marketing and midstream operating costs and expenses	515	341	897	611
Depreciation, depletion and amortization of oil and gas properties	762	645	1,499	1,232
Depreciation and amortization of non-oil and gas properties	62	49	119	95
Accretion of asset retirement obligation	22	18	44	36
General and administrative expenses	180	113	328	232
Interest expense	90	107	192	217
Change in fair value of non-oil and gas derivative financial instruments	(40)	(10)	(24)	(9)
Other income, net	(17)	(17)	(38)	(43)
Total expenses and other income, net	2,287	1,775	4,370	3,410
Earnings from continuing operations before income tax expense	1,261	1,154	2,153	1,992
Income tax expense:				
Current	414	174	517	363
Deferred	253	156	391	231
Total income tax expense	667	330	908	594
Earnings from continuing operations	594	824	1,245	1,398
Discontinued operations:				
Earnings from discontinued operations before income tax expense	851	128	1,040	265
Income tax expense	144	48	235	108
Earnings from discontinued operations	707	80	805	157
Net earnings	1,301	904	2,050	1,555
Preferred stock dividends	3	3	5	5
Net earnings applicable to common stockholders	$ 1,298	$ 901	$ 2,045	$ 1,550
Basic net earnings per share:				
Earnings from continuing operations	$ 1.33	$ 1.84	$ 2.79	$ 3.13
Earnings from discontinued operations	1.58	0.18	1.80	0.35
Net earnings	$ 2.91	$ 2.02	$ 4.59	$ 3.48
Diluted net earnings per share:				
Earnings from continuing operations	$ 1.31	$ 1.82	$ 2.76	$ 3.09
Earnings from discontinued operations	1.57	0.18	1.79	0.35
Net earnings	$ 2.88	$ 2.00	$ 4.55	$ 3.44
Weighted average common shares outstanding:				
Basic	446	446	445	445
Diluted	450	450	450	450

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(Unaudited) (In millions)			
Net earnings	$ 1,301	$ 904	$ 2,050	$ 1,555
Foreign currency translation:				
Change in cumulative translation adjustment	88	649	(294)	732
Income tax benefit (expense)	(3)	(35)	14	(41)
Total	85	614	(280)	691
Pension and postretirement benefit plans:				
Recognition of net actuarial loss and prior service cost in net earnings	4	4	9	8
Income tax expense	(1)	(2)	(3)	(3)
Total	3	2	6	5
Other	—	—	—	(1)
Other comprehensive income (loss), net of tax	88	616	(274)	695
Comprehensive income	$ 1,389	$ 1,520	$ 1,776	$ 2,250

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Preferred Stock	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders' Equity
				(Unaudited) (In millions)				
Six Months Ended June 30, 2008:								
Balance as of December 31, 2007	$ 1	444	$ 44	$ 6,743	$ 12,813	$ 2,405	$ —	$ 22,006
Net earnings	—	—	—	—	2,050	—	—	2,050
Other comprehensive loss	—	—	—	—	—	(274)	—	(274)
Stock option exercises	—	4	1	107	—	—	(4)	104
Common stock repurchased	—	—	—	—	—	—	(316)	(316)
Common stock retired	—	(3)	(1)	(269)	—	—	270	—
Redemption of preferred stock	(1)	—	—	(149)	—	—	—	(150)
Common stock dividends	—	—	—	—	(141)	—	—	(141)
Preferred stock dividends	—	—	—	—	(5)	—	—	(5)
Share-based compensation	—	—	—	104	—	—	—	104
Excess tax benefits on share-based compensation	—	—	—	55	—	—	—	55
Balance as of June 30, 2008	$ —	445	$ 44	$ 6,591	$ 14,717	$ 2,131	$ (50)	$ 23,433
Six Months Ended June 30, 2007:								
Balance as of December 31, 2006	$ 1	444	$ 44	$ 6,840	$ 9,114	$ 1,444	$ (1)	$ 17,442
Adoption of FASB Statement No. 159	—	—	—	—	364	(364)	—	—
Adoption of FASB Interpretation No. 48	—	—	—	—	(10)	—	—	(10)
Adoption of FASB Statement No. 158	—	—	—	—	(1)	16	—	15
Net earnings	—	—	—	—	1,555	—	—	1,555
Other comprehensive income	—	—	—	—	—	695	—	695
Stock option exercises	—	2	1	59	—	—	—	60
Common stock repurchased	—	—	—	—	—	—	(16)	(16)
Common stock retired	—	—	—	(17)	—	—	17	—
Common stock dividends	—	—	—	—	(124)	—	—	(124)
Preferred stock dividends	—	—	—	—	(5)	—	—	(5)
Share-based compensation	—	—	—	57	—	—	—	57
Excess tax benefits on share-based compensation	—	—	—	17	—	—	—	17
Balance as of June 30, 2007	$ 1	446	$ 45	$ 6,956	$ 10,893	$ 1,791	$ —	$ 19,686

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
	(Unaudited) (In millions)	
Cash flows from operating activities:		
Net earnings	$ 2,050	$ 1,555
Earnings from discontinued operations, net of tax	(805)	(157)
Adjustments to reconcile earnings from continuing operations to net cash provided by operating activities:		
Depreciation, depletion and amortization	1,618	1,327
Deferred income tax expense	391	231
Net unrealized loss on oil and gas derivative financial instruments	1,692	23
Other noncash charges	122	71
(Increase) decrease in assets:		
Accounts receivable	(604)	32
Other current assets	(44)	(27)
Other long-term assets	(40)	(46)
Increase (decrease) in liabilities:		
Accounts payable	120	64
Revenues and royalties due to others	348	(17)
Income taxes payable	136	178
Other current liabilities	(99)	(96)
Other long-term liabilities	181	14
Cash provided by operating activities – continuing operations	5,066	3,152
Cash provided by operating activities – discontinued operations	120	197
Net cash provided by operating activities	5,186	3,349
Cash flows from investing activities:		
Proceeds from sales of property and equipment	108	37
Capital expenditures	(3,867)	(2,990)
Purchases of short-term investments	(50)	(589)
Redemptions of short-term and long-term investments	295	848
Cash used in investing activities – continuing operations	(3,514)	(2,694)
Cash provided by (used in) investing activities – discontinued operations	1,709	(115)
Net cash used in investing activities	(1,805)	(2,809)
Cash flows from financing activities:		
Credit facility repayments	(3,070)	—
Credit facility borrowings	1,620	—
Net commercial paper repayments	(1,004)	(183)
Principal payments on debt	(47)	—
Preferred stock redemption	(150)	—
Proceeds from stock option exercises	104	60
Repurchases of common stock	(252)	(10)
Dividends paid on common and preferred stock	(146)	(129)
Excess tax benefits related to share-based compensation	55	17
Net cash used in financing activities	(2,890)	(245)
Effect of exchange rate changes on cash	(19)	16
Net increase in cash and cash equivalents	472	311
Cash and cash equivalents at beginning of period (including cash related to assets held for sale)	1,373	756
Cash and cash equivalents at end of period (including cash related to assets held for sale)	$ 1,845	$ 1,067
Supplementary cash flow data:		
Interest paid (net of capitalized interest)	$ 189	$ 202
Income taxes paid – continuing and discontinued operations	$ 826	$ 159

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Summary of Significant Accounting Policies

The accompanying unaudited consolidated financial statements and notes of Devon Energy Corporation ("Devon") have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission. Pursuant to such rules and regulations, certain disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. The accompanying consolidated financial statements and notes should be read in conjunction with the consolidated financial statements and notes included in Devon's 2007 Annual Report on Form 10-K/A.

The unaudited interim consolidated financial statements furnished in this report reflect all adjustments which are, in the opinion of management, necessary to a fair statement of Devon's financial position as of June 30, 2008 and Devon's results of operations and cash flows for the three-month and six-month periods ended June 30, 2008 and 2007. Except for the reclassification of auction rate securities discussed below, all such adjustments are of a normal recurring nature.

Reclassification of Auction Rate Securities

At December 31, 2007, Devon held $372 million of auction rate securities. Such securities are rated AAA—the highest rating—by one or more rating agencies and are collateralized by student loans that are substantially guaranteed by the United States government. Although Devon's auction rate securities generally have contractual maturities of more than 20 years, the underlying interest rates on such securities are scheduled to reset every seven to 28 days. Therefore, these auction rate securities were generally priced and subsequently traded as short-term investments because of the interest rate reset feature. As a result, Devon classified its auction rate securities as short-term investments in the accompanying December 31, 2007 consolidated balance sheet and in prior periods.

During the first half of 2008, Devon reduced its auction rate securities holdings to $127 million. However, since February 8, 2008 Devon has experienced difficulty selling its securities due to the failure of the auction mechanism, which provides liquidity to these securities. An auction failure means that the parties wishing to sell securities could not do so. The securities for which auctions have failed will continue to accrue interest and be auctioned every seven to 28 days until the auction succeeds, the issuer calls the securities or the securities mature.

From February 2008, when auctions began failing, to June 30, 2008, issuers redeemed $26 million of Devon's auction rate securities holdings at par. Additionally, Devon's auction rate securities holdings as of June 30, 2008 include approximately $1 million of securities that were called at par value by the issuer and were repaid on July 10, 2008. These called securities are classified as short-term investments in the accompanying June 30, 2008 consolidated balance sheet. However, based on continued auction failures and the current market for Devon's auction rate securities, Devon has classified the $126 million of securities that have not been called as of June 30, 2008 as long-term investments. These securities are included in other long-term assets in the accompanying June 30, 2008 consolidated balance sheet. Devon has the ability to hold the securities until maturity. At this time, Devon does not believe the values of its long-term securities are impaired.

Recently Issued Accounting Standards Not Yet Adopted

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141(R), *Business Combinations* , which replaces Statement No. 141. Statement No. 141(R) retains the fundamental requirements of Statement No. 141 that an acquirer be identified and the acquisition method of accounting (previously called the purchase method) be used for all business combinations. Statement No. 141(R)'s scope is broader than that of Statement No. 141, which applied only to business combinations in which control was obtained by transferring consideration. By applying the acquisition method to all transactions and other events in which one entity obtains control over one or more other businesses, Statement No. 141(R) improves the comparability of the information about business combinations provided in financial reports. Statement No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures identifiable assets acquired, liabilities assumed and any noncontrolling interest in the acquiree, as well as any resulting goodwill. Statement No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Devon will evaluate how the new requirements of Statement No. 141(R) would impact any business combinations completed in 2009 or thereafter.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

In December 2007, the FASB also issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51* . A noncontrolling interest, sometimes called a minority interest, is the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. Statement No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Under Statement No. 160, noncontrolling interests in a subsidiary must be reported as a component of consolidated equity separate from the parent's equity. Additionally, the amounts of consolidated net income attributable to both the parent and the noncontrolling interest must be reported separately on the face of the income statement. Statement No. 160 is effective for fiscal years beginning on or after December 15, 2008 and earlier adoption is prohibited. Devon does not expect the adoption of Statement No. 160 to have a material impact on its financial statements and related disclosures.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133* . Statement No. 161 requires additional disclosures about derivative and hedging activities and is effective for fiscal years and interim periods beginning after November 15, 2008. Devon is evaluating the impact the adoption of Statement No. 161 will have on its financial statement disclosures. However, Devon's adoption of Statement No. 161 will not affect its current accounting for derivative and hedging activities.

2. Property and Equipment and Asset Retirement Obligations

Divestitures

Near the beginning of 2007, Devon announced plans to sell its assets and terminate its operations located in Africa. This divestiture package consisted primarily of Devon's operations located in Egypt and the West African countries of Equatorial Guinea, Gabon and Cote D'Ivoire. Additional information regarding Devon's Egyptian and West African operations, which are presented as discontinued in the accompanying financial statements, is provided in Note 12.

Asset Retirement Obligations ("ARO")

The following is a summary of the changes in Devon's ARO for the first six months of 2008 and 2007.

	Six Months Ended June 30,	
	2008	2007
	(In millions)	
Asset retirement obligation as of beginning of period	$ 1,318	$ 857
Liabilities incurred	29	32
Liabilities settled	(40)	(24)
Revision of estimated obligation	162	311
Accretion expense on discounted obligation	44	36
Foreign currency translation adjustment	(20)	47
Asset retirement obligation as of end of period	1,493	1,259
Less current portion	63	45
Asset retirement obligation, long-term	$ 1,430	$ 1,214

During the first six months of 2008 and 2007, Devon recognized increases of $162 million and $311 million, respectively, to its ARO. The primary factors causing the 2008 fair value increase were an overall increase in abandonment cost estimates and the effect of a decrease in the discount rate used to present value the obligations. The primary factors causing the 2007 fair value increase were an overall increase in abandonment cost estimates and an increase in the assumed inflation rate.

3. Commodity Derivative Financial Instruments

Devon periodically enters into derivative financial instruments with respect to a portion of its oil and gas production that hedge the future prices received. These instruments are used to manage the inherent uncertainty of future revenues due to oil and gas price volatility. Devon's derivative financial instruments include financial price swaps, whereby Devon will receive a fixed price for its production and pay a variable market price to the contract counterparty, and costless price collars that set a floor and ceiling price for

DEVON ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

the hedged production. If the applicable monthly price indices are outside of the ranges set by the floor and ceiling prices in the various collars, Devon will cash-settle the difference with the counterparty to the collars.

As discussed more fully in Note 1 to the consolidated financial statements in Devon's 2007 Annual Report on Form 10-K/A, Devon's derivative financial instruments are recognized at the current fair value on the balance sheet. Unrealized changes in such fair values are recorded in the statement of operations. Cash settlements with counterparties to Devon's price swaps and price collars are also recorded in the statement of operations.

The following tables present the fair values included in the accompanying balance sheet and the cash settlements and net unrealized losses included in the accompanying statement of operations associated with Devon's commodity derivative financial instruments.

	June 30, 2008	December 31, 2007
	(In millions)	
Fair values:		
Other current assets – gas price swaps	$ —	$ 12
Derivative financial instruments, current liability:		
Gas price swaps	$ 606	$ —
Gas price collars	945	—
Oil price collars	46	—
Total derivative financial instruments, current liability	$ 1,597	$ —
Derivative financial instruments, long-term liability:		
Gas price swaps	$ —	$ —
Gas price collars	83	—
Oil price collars	—	—
Total derivative financial instruments, long-term liability	$ 83	$ —

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
	(In millions)			
Cash settlements:				
Gas price swaps	$ (153)	$ 5	$ (161)	$ 15
Gas price collars	(150)	—	(150)	2
Total cash settlements (paid) received	(303)	5	(311)	17
Unrealized (losses) gains on fair value changes:				
Gas price swaps	(247)	9	(618)	(19)
Gas price collars	(620)	—	(1,028)	(4)
Oil price collars	(45)	—	(46)	—
Total unrealized (losses) gains on fair value changes	(912)	9	(1,692)	(23)
Net (loss) gain on oil and gas derivative financial instruments	$ (1,215)	$ 14	$ (2,003)	$ (6)

4. Debt

Credit Facilities

In April 2008, Devon extended the maturity of $2.0 billion of its existing $2.5 billion five-year, syndicated, unsecured revolving line of credit (the "Senior Credit

Facility”) from April 7, 2012 to April 7, 2013. Lenders representing $0.5 billion of the Senior Credit Facility did not approve a maturity date extension. Therefore, the maturity date for $0.5 billion of the Senior Credit Facility remains at April 7, 2012.

During the second quarter of 2008, Devon repaid $2.5 billion of outstanding commercial paper and Senior Credit Facility borrowings primarily with proceeds received from the sales of assets in West Africa and cash generated from operations.

On August 7, 2007, Devon established a $1.5 billion 364-day, syndicated, unsecured revolving senior credit facility (the “Short-Term Facility”). This facility matured on August 5, 2008 and was not extended. As a result of the Short-Term Facility’s maturity, Devon’s commercial paper program capacity decreased from $3.5 billion to $2.0 billion.

The Senior Credit Facility contains only one material financial covenant. This covenant requires Devon to maintain a ratio of total funded debt to total capitalization, as defined in the credit agreement, of no more than 65%. As of June 30, 2008, Devon was in compliance with this covenant. Devon’s debt-to-capitalization ratio at June 30, 2008, as calculated pursuant to the terms of the agreement, was 16.3%.

As of August 5, 2008, Devon’s available capacity under its Senior Credit Facility was approximately $2.4 billion. This available capacity is net of $140 million of outstanding letters of credit. There were no outstanding commercial paper or Senior Credit Facility borrowings as of August 5, 2008.

Exchangeable Debentures

During the first six months of 2008, certain holders of exchangeable debentures exercised their option to exchange their debentures for shares of Chevron Corporation (“Chevron”) common stock that Devon owns prior to the debentures’ August 15, 2008 maturity date. In lieu of delivering Chevron common stock to an exchanging debenture holder, Devon may, at its option, pay to such holder an amount of cash equal to the market value of Chevron common stock. During the first half of 2008, Devon elected to pay the exchanging debenture holders cash totaling $47 million in lieu of delivering shares of Chevron common stock. As a result of these exchanges, Devon retired outstanding exchangeable debentures with a book value totaling $28 million and reduced the related embedded derivative option’s balance by $19 million.

As of June 30, 2008, Devon has classified the exchangeable debentures as short-term borrowings in the accompanying consolidated balance sheet. Although the exchangeable debentures have been due within one year since August 15, 2007, Devon previously classified the debt as long-term borrowings. The long-term classification was based on the uncertain timing of the closings of sales of assets in West Africa, particularly the sale of assets in Equatorial Guinea. Based on the sale proceeds received during the second quarter of 2008, Devon now intends to repay the exchangeable debentures with cash on hand or short-term commercial paper borrowings.

5. Fair Value Measurements

Certain of Devon’s assets and liabilities are reported at fair value in the accompanying balance sheets. Such assets and liabilities include amounts for both financial and nonfinancial instruments. The following tables provide fair value measurement information for such assets and liabilities as of June 30, 2008 and December 31, 2007. Following the tables, additional information is provided for those assets and liabilities in which Devon uses significant unobservable inputs (Level 3) to measure fair value.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

	As of June 30, 2008				
			Fair Value Measurements Using :		
	Carrying Amount	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			(In millions)		
Financial Assets (Liabilities):					
Short-term and long-term investments	$ 127	$ 127	$ 1	$ —	$ 126
Investment in Chevron common stock	$ 1,406	$ 1,406	$1,406	$ —	$ —
Net oil and gas price swaps and collars	$(1,680)	$(1,680)	$ —	$(1,680)	$ —
Embedded option in exchangeable debentures	$ (528)	$ (528)	$ —	$ (528)	$ —
Asset retirement obligation	$(1,493)	$(1,493)	$ —	$ —	$(1,493)

	As of December 31, 2007				
			Fair Value Measurements Using :		
	Carrying Amount	Total Fair Value	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
			(In millions)		
Financial Assets (Liabilities):					
Short-term investments	$ 372	$ 372	$ 372	$ —	$ —
Investment in Chevron common stock	$ 1,324	$ 1,324	$1,324	$ —	$ —
Gas price swaps	$ 12	$ 12	$ —	$ 12	$ —
Embedded option in exchangeable debentures	$ (488)	$ (488)	$ —	$(488)	$ —
Asset retirement obligation	$(1,318)	$(1,318)	$ —	$ —	$(1,318)

Level 3 Fair Value Measurements

Short-term and long-term investments — Devon's short-term and long-term investments presented in the tables above as of June 30, 2008 and December 31, 2007 consisted entirely of auction rate securities, which are discussed in greater detail in Note 1. As of December 31, 2007, Devon estimated the fair values of its short-term investments using quoted market prices. However, due to the auction failures discussed in Note 1 and the lack of an active market for Devon's long-term auction rate securities, quoted market prices for the vast majority of these securities were not available as of June 30, 2008. Therefore, Devon used valuation techniques that rely on unobservable, or Level 3, inputs to estimate the fair values of its long-term auction rate securities as of June 30, 2008. These inputs were based on the AAA credit rating of the securities, the probability of full repayment of the securities considering the United States government guarantees of substantially all of the underlying student loans and the collection of all accrued interest to date. As a result of using these inputs, Devon concluded the estimated fair values of its long-term auction rate securities approximated the par values as of June 30, 2008. At this time, Devon does not believe the values of its long-term securities are impaired. Included below is a summary of the changes in Devon's Level 3 short-term and long-term investments during the first half of 2008 (in millions).

Beginning balance	$ —
Transfers from Level 1 to Level 3	129
Redemptions of principal	(3)
Ending balance	$ 126

DEVON ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Asset retirement obligation — The fair values of the asset retirement obligations are estimated using internal discounted cash flow calculations based upon Devon's estimates of future retirement costs. A summary of the changes in Devon's asset retirement obligation, including revisions of the estimated fair value in 2008 and 2007, is presented in Note 2.

6. Retirement Plans

Net Periodic Benefit Cost and Other Comprehensive Income

The following table presents the components of net periodic benefit cost and other comprehensive income for Devon's pension and other post retirement benefit plans for the three-month and six-month periods ended June 30, 2008 and 2007.

	Pension Benefits				Other Postretirement Benefits			
	Three Months Ended June 30,		Six Months Ended June 30,		Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007	2008	2007	2008	2007
	(In millions)							
Net periodic benefit cost:								
Service cost	$ 10	$ 7	$ 20	$ 15	$ —	$ —	$ —	$ —
Interest cost	14	11	28	22	2	1	4	2
Expected return on plan assets	(13)	(13)	(26)	(25)	—	—	—	—
Net actuarial loss	4	4	8	8	—	—	—	—
Net periodic benefit cost	15	9	30	20	2	1	4	2
Other comprehensive income:								
Recognition of net actuarial loss in net periodic benefit cost	(4)	(4)	(8)	(8)	—	—	—	—
Total recognized	$ 11	$ 5	$ 22	$ 12	$ 2	$ 1	$ 4	$ 2

Devon previously disclosed in its financial statements for the year ended December 31, 2007, that it expected to contribute $8 million to the Qualified and Supplemental Plans in 2008 and $6 million to the Postretirement Plans in 2008. Devon presently anticipates contributing an additional $10 million to the Qualified and Supplemental Plans in 2008 for a total of $18 million. As of June 30, 2008, Devon has contributed $13 million to the Qualified and Supplemental Plans and $2 million to the Postretirement Plans.

7. Stockholders' Equity

Preferred Stock Redemption

On June 20, 2008, Devon redeemed all 1.5 million outstanding shares of its 6.49% Series A cumulative preferred stock. Each share of preferred stock was redeemed for cash at a redemption price of $100 per share, plus accrued and unpaid dividends up to the redemption date.

Stock Repurchases

During the first six months of 2008, Devon repurchased 2.8 million shares for $302 million, or $106.01 per share, under programs approved by its Board of Directors. The 2.8 million shares include 2.0 million shares that were repurchased under Devon's 50 million share program and 0.8 million shares that were repurchased under Devon's ongoing, annual stock repurchase program.

Dividends

Devon paid common stock dividends of $141 million (or a quarterly rate of $0.16 per share) and $124 million (or a quarterly rate of $0.14 per share) in the first six months of 2008 and 2007, respectively. During the first half of 2008 and 2007, Devon also paid $5 million in dividends to preferred stockholders.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

8. Commitments and Contingencies

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

Royalty Matters

Numerous gas producers and related parties, including Devon, have been named in various lawsuits alleging violation of the federal False Claims Act. The suits allege that the producers and related parties used below-market prices, improper deductions, improper measurement techniques and transactions with affiliates, which resulted in underpayment of royalties in connection with natural gas and NGLs produced and sold from federal and Indian owned or controlled lands. The principal suit in which Devon is a defendant is *United States ex rel. Wright v. Chevron USA, Inc. et al.* (the "Wright case"). The suit was originally filed in August 1996 in the United States District Court for the Eastern District of Texas, but was consolidated in October 2000 with other suits for pre-trial proceedings in the United States District Court for the District of Wyoming. On July 10, 2003, the District of Wyoming remanded the Wright case back to the Eastern District of Texas to resume proceedings. On April 12, 2007, the court entered a trial plan and scheduling order in which the case will proceed in phases. Two phases have been scheduled to date, with the first scheduled to begin in August 2008 and the second scheduled to begin in February 2009. Devon is not included in the groups of defendants selected for these first two phases. Devon believes that it has acted reasonably, has legitimate and strong defenses to all allegations in the suit, and has paid royalties in good faith. Devon does not currently believe that it is subject to material exposure with respect to this lawsuit and, therefore, no liability related to this lawsuit has been recorded.

In 1995, the United States Congress passed the Deep Water Royalty Relief Act. The intent of this legislation was to encourage deep water exploration in the Gulf of Mexico by providing relief from the obligation to pay royalties on certain federal leases. Deep water leases issued in certain years by the Minerals Management Service (the "MMS") have contained price thresholds, such that if the market prices for oil or natural gas exceeded the thresholds for a given year, royalty relief would not be granted for that year. Deep water leases issued in 1998 and 1999 did not include price thresholds. In 2006, the MMS informed Devon and other oil and gas companies that the omission of price thresholds from these leases was an error on its part and was not its intention. Accordingly, the MMS invited Devon and the other affected oil and gas producers to renegotiate the terms and conditions of the 1998 and 1999 leases to add price threshold provisions to the lease agreements for periods after October 1, 2006. Devon has not renegotiated any of its existing leases.

The U.S. House of Representatives in January 2007 passed legislation that would have required companies to renegotiate the 1998 and 1999 leases as a condition of securing future federal leases. This legislation was not passed by the U.S. Senate. However, Congress may consider similar legislation in the future. Although Devon has not signed renegotiated leases, it has accrued through June 30, 2008, approximately $40 million for royalties that would be due if price thresholds were added to its 1998 and 1999 leases effective October 1, 2006.

Additionally, Devon has $35 million accrued at June 30, 2008 for royalties related to leases issued under the Deep Water Royalty Relief Act in years other than 1998 or 1999. The leases issued in these other years did include price thresholds, but in October 2007 a federal district court ruled in favor of a plaintiff who had challenged the legality of including price thresholds in these leases. This judgment is subject to appeal, and Devon will continue to accrue for royalties on these leases until the matter is resolved.

Environmental Matters

Devon is subject to certain laws and regulations relating to environmental remediation activities associated with past operations, such as the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") and similar state statutes. In response to liabilities associated with these activities, accruals have been established when reasonable estimates are possible. Such accruals primarily include estimated costs associated with remediation. Devon has not used discounting in determining its accrued liabilities for environmental remediation, and no material claims for possible recovery from third party insurers or other parties related to environmental costs have been recognized in Devon's consolidated financial statements. Devon adjusts the accruals when new remediation responsibilities are discovered and probable costs become estimable, or when current remediation estimates must be adjusted to reflect new information.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Certain of Devon's subsidiaries are involved in matters in which it has been alleged that such subsidiaries are potentially responsible parties ("PRPs") under CERCLA or similar state legislation with respect to various waste disposal areas owned or operated by third parties. As of June 30, 2008, Devon's balance sheet included $2 million of accrued liabilities, reflected in other long-term liabilities, related to these and other environmental remediation liabilities. Devon does not currently believe there is a reasonable possibility of incurring additional material costs in excess of the current accruals recognized for such environmental remediation activities. With respect to the sites in which Devon subsidiaries are PRPs, Devon's conclusion is based in large part on (i) Devon's participation in consent decrees with both other PRPs and the Environmental Protection Agency, which provide for performing the scope of work required for remediation and contain covenants not to sue as protection to the PRPs, (ii) participation in groups as a *de minimis* PRP , and (iii) the availability of other defenses to liability. As a result, Devon's monetary exposure is not expected to be material.

Hurricane Contingencies

Historically, Devon maintained a comprehensive insurance program that included coverage for physical damage to its offshore facilities caused by hurricanes. Devon's historical insurance program also included substantial business interruption coverage, which Devon is utilizing to recover costs associated with the suspended production related to hurricanes that struck the Gulf of Mexico in the third quarter of 2005. Under the terms of this insurance program, Devon was entitled to be reimbursed for the portion of production suspended longer than forty-five days, subject to upper limits to oil and natural gas prices. Also, the terms of the insurance include a standard, per-event deductible of $1 million for offshore losses as well as a $15 million aggregate annual deductible.

Based on current estimates of physical damage and the anticipated length of time Devon will have had production suspended, Devon expects its policy recoveries will exceed repair costs and deductible amounts. This expectation is based upon several variables, including the $467 million received in 2006 as a full settlement of the amount due from Devon's primary insurers and $13 million received in 2007 as a full settlement of the amount due from certain of Devon's secondary insurers. As of June 30, 2008, $388 million of these proceeds had been utilized as reimbursement of past repair costs and deductible amounts. The remaining proceeds of $92 million are expected to be utilized as reimbursement of Devon's anticipated future repair costs. Devon continues to negotiate with its other secondary insurers and expects to receive additional policy recoveries as a result of such negotiations.

Should Devon's total policy recoveries, including the partial settlements already received from Devon's primary and secondary insurers, exceed all repair costs and deductible amounts, such excess will be recognized as other income in the statement of operations in the period in which such determination can be made.

The policy underlying the insurance program terms described above expired on August 31, 2006. Devon's current insurance program includes business interruption and physical damage coverage for its business. However, due to significant changes in the insurance marketplace, Devon no longer has coverage for damage that may be caused by named windstorms in the Gulf of Mexico.

Other Matters

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

9. Share-Based Compensation

With the approval of Devon's Compensation Committee, Devon modified the share-based compensation arrangements for certain members of senior management ("executives") in the second quarter of 2008. The modified compensation arrangements provide that executives who meet certain years-of-service and age criteria can retire and continue vesting in outstanding share-based grants. As a condition to receiving the benefits of these modifications, the executives must agree not to use or disclose Devon's confidential information and not to solicit Devon's employees and customers. The executives are required to agree to these conditions at retirement and again in each subsequent year until all grants have vested.

DEVON ENERGY CORPORATION AND SUBSIDIARIES

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This modification results in accelerated expense recognition as executives approach the years-of-service and age criteria. Additionally, when the modification was made in the second quarter of 2008, certain executives had already met the years-of-service and age criteria. As a result, Devon recognized an additional $27 million of share-based compensation expense in the second quarter of 2008 related to this modification. This additional expense would have been recognized in future reporting periods if the modification had not been made and the executives continued their employment at Devon.

10. Change in Fair Value of Non-Oil and Gas Financial Instruments

The components of the change in fair value of non-oil and gas financial instruments include the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In millions)			
Losses (gains) from:				
Chevron common stock	$ (195)	$ (146)	$ (82)	$ (152)
Option embedded in exchangeable debentures	155	136	58	144
Other	—	—	—	(1)
Total	$ (40)	$ (10)	$ (24)	$ (9)

11. Income Taxes

In the second quarter of 2008, Devon repatriated $1.3 billion in earnings from certain foreign subsidiaries to the United States. Devon also expects to repatriate approximately $1.5 billion in earnings from certain foreign subsidiaries to the United States during the last six months of 2008. Subsequent to these repatriations, Devon does not expect to repatriate similar earnings from its historical operations in the foreseeable future. Also in the second quarter of 2008, Devon made certain tax policy election changes to minimize the taxes Devon otherwise would pay to all relevant tax jurisdictions for the cash repatriations, as well as the taxable gains associated with the sales of assets in West Africa. As a result of the repatriation and tax policy election changes, Devon recognized additional tax expense of $312 million during the second quarter of 2008. Of the $312 million, $295 million was recognized as current income tax expense, and $17 million was recognized as deferred tax expense. Included in the $312 million additional tax expense is $183 million for tax positions in which the resulting tax benefits are not recognized in the accompanying consolidated financial statements. If recognized, all of these unrecognized tax benefits would affect Devon's effective income tax rate.

12. Discontinued Operations

Divestiture Activity

In November 2006 and January 2007, Devon announced its plans to divest its operations in Egypt and West Africa, including Equatorial Guinea, Gabon, Cote D'Ivoire and other countries in the region. Pursuant to accounting rules for discontinued operations, Devon has classified all amounts related to its operations in Egypt and West Africa as discontinued operations.

In the second quarter of 2008, Devon sold its assets and terminated its operations in certain West African countries, consisting primarily of Equatorial Guinea and Gabon. As a result of the sales, Devon recognized gains totaling $736 million ($647 million after taxes) in the second quarter of 2008 from proceeds of $2.4 billion ($1.7 billion net of income taxes and purchase price adjustments).

In the fourth quarter of 2007, Devon sold its assets and terminated its operations in Egypt and recognized a $90 million after-tax gain from proceeds of $341 million.

Devon has entered into agreements to sell its operations in Cote D'Ivoire and other countries located in West Africa for approximately $250 million. Devon is obtaining the necessary partner and government approvals for these properties and expects to complete the remaining sales during the third quarter of 2008. Had these transactions closed on June 30, 2008, Devon would have recognized after-tax gains of approximately $100 million. The gains ultimately recorded when the transactions close will depend on

DEVON ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

the carrying values of Devon's assets and liabilities at the closing dates, as well as the effect of any purchase price adjustments between the effective dates and the actual closing dates of the sales.

Financial Statement Information

Revenues related to Devon's discontinued operations totaled $127 million and $215 million in the three months ended June 30, 2008 and June 30, 2007 and $332 million and $390 million in the six months ended June 30, 2008 and 2007, respectively. These amounts do not include the divestiture gains discussed in the previous section.

The following table presents the main classes of assets and liabilities associated with Devon's discontinued operations as of June 30, 2008 and December 31, 2007.

	June 30, 2008	December 31, 2007
	(In millions)	
Assets:		
Cash	$ 8	$ 9
Accounts receivable	5	83
Deferred tax asset	68	—
Other current assets	24	28
Current assets	$ 105	$ 120
Long-term assets — property and equipment, net of accumulated depreciation, depletion and amortization	$ 84	$ 1,512
Liabilities:		
Accounts payable — trade	$ 2	$ 23
Revenues and royalties due to others	2	11
Income taxes payable	6	100
Current portion of asset retirement obligation	—	9
Accrued expenses and other current liabilities	6	2
Current liabilities	$ 16	$ 145
Asset retirement obligation, long-term	$ 5	$ 35
Deferred income taxes	19	366
Other long-term liabilities	—	3
Long-term liabilities	$ 24	$ 404

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

13. Earnings Per Share

The following table reconciles earnings from continuing operations and common shares outstanding used in the calculations of basic and diluted earnings per share for the three-month and six-month periods ended June 30, 2008 and 2007.

	Net Earnings Applicable to Common Stockholders	Weighted Average Common Shares Outstanding	Net Earnings per Share
	(In millions, except per share amounts)		
Three Months Ended June 30, 2008:			
Earnings from continuing operations	$ 594		
Less preferred stock dividends	(3)		
Basic earnings per share	591	446	$ 1.33
Dilutive effect of potential common shares issuable upon the exercise of outstanding stock options	—	4	
Diluted earnings per share	$ 591	450	$ 1.31
Three Months Ended June 30, 2007:			
Earnings from continuing operations	$ 824		
Less preferred stock dividends	(3)		
Basic earnings per share	821	446	$ 1.84
Dilutive effect of potential common shares issuable upon the exercise of outstanding stock options	—	4	
Diluted earnings per share	$ 821	450	$ 1.82
Six Months Ended June 30, 2008:			
Earnings from continuing operations	$ 1,245		
Less preferred stock dividends	(5)		
Basic earnings per share	1,240	445	$ 2.79
Dilutive effect of potential common shares issuable upon the exercise of outstanding stock options	—	5	
Diluted earnings per share	$ 1,240	450	$ 2.76
Six Months Ended June 30, 2007:			
Earnings from continuing operations	$ 1,398		
Less preferred stock dividends	(5)		
Basic earnings per share	1,393	445	$ 3.13
Dilutive effect of potential common shares issuable upon the exercise of outstanding stock options	—	5	
Diluted earnings per share	$ 1,393	450	$ 3.09

Certain options to purchase shares of Devon’s common stock are excluded from the dilution calculations because the options are antidilutive. During the three-month and six-month periods ended June 30, 2008, no shares and 1.5 million shares, respectively, were excluded from the diluted earnings per share calculations. During the three-month and six-month periods ended June 30, 2007, 4.0 million shares and 4.1 million shares, respectively, were excluded from the diluted earnings per share calculations.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

14. Segment Information

Following is certain financial information regarding Devon's reporting segments. The revenues reported are all from external customers.

	U.S.	Canada	International	Total
		(In millions)		
As of June 30, 2008:				
Current assets	$ 3,110	$ 1,622	$ 701	$ 5,433
Property and equipment, net of accumulated depreciation, depletion and amortization	19,976	8,857	1,351	30,184
Goodwill	3,050	2,963	68	6,081
Other long-term assets	1,726	61	295	2,082
Total assets	$27,862	$13,503	$ 2,415	$43,780
Current liabilities	$ 4,994	$ 582	$ 456	$ 6,032
Long-term debt	1,852	2,977	—	4,829
Asset retirement obligation, long-term	689	646	95	1,430
Other long-term liabilities	938	46	28	1,012
Deferred income taxes	4,871	2,086	87	7,044
Stockholders' equity	14,518	7,166	1,749	23,433
Total liabilities and stockholders' equity	$27,862	$13,503	$ 2,415	$43,780

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

	U.S.	Canada	International	Total
		(In millions)		
Three Months Ended June 30, 2008:				
Revenues:				
Oil sales	$ 566	$ 498	$ 391	$ 1,455
Gas sales	1,688	517	5	2,210
NGL sales	305	74	—	379
Net loss on oil and gas derivative financial instruments	(1,215)	—	—	(1,215)
Marketing and midstream revenues	707	12	—	719
Total revenues	2,051	1,101	396	3,548
Expenses and other income, net:				
Lease operating expenses	279	211	47	537
Production taxes	104	1	71	176
Marketing and midstream operating costs and expenses	510	5	—	515
Depreciation, depletion and amortization of oil and gas properties	481	227	54	762
Depreciation and amortization of non-oil and gas properties	54	7	1	62
Accretion of asset retirement obligation	10	10	2	22
General and administrative expenses	145	34	1	180
Interest expense	36	54	—	90
Change in fair value of non-oil and gas derivative financial instruments	(40)	—	—	(40)
Other income, net	(11)	—	(6)	(17)
Total expenses and other income, net	1,568	549	170	2,287
Earnings from continuing operations before income tax expense	483	552	226	1,261
Income tax expense (benefit):				
Current	299	46	69	414
Deferred	163	104	(14)	253
Total income tax expense	462	150	55	667
Earnings from continuing operations	21	402	171	594
Discontinued operations:				
Earnings from discontinued operations before income tax expense	—	—	851	851
Income tax expense	—	—	144	144
Earnings from discontinued operations	—	—	707	707
Net earnings	21	402	878	1,301
Preferred stock dividends	3	—	—	3
Net earnings applicable to common stockholders	$ 18	$ 402	$ 878	$ 1,298
Capital expenditures, before revision of future ARO	$ 1,654	$ 182	$ 150	$ 1,986
Revision of future ARO	—	—	22	22
Capital expenditures, continuing operations	$ 1,654	$ 182	$ 172	$ 2,008

DEVON ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

	U.S.	Canada	International	Total
		(In millions)		
Three Months Ended June 30, 2007:				
Revenues:				
Oil sales	$ 305	$ 185	$ 375	$ 865
Gas sales	983	380	3	1,366
NGL sales	177	47	—	224
Net gain on oil and gas derivative financial instruments	14	—	—	14
Marketing and midstream revenues	452	8	—	460
Total revenues	1,931	620	378	2,929
Expenses and other income, net:				
Lease operating expenses	256	140	43	439
Production taxes	59	1	30	90
Marketing and midstream operating costs and expenses	338	3	—	341
Depreciation, depletion and amortization of oil and gas properties	402	182	61	645
Depreciation and amortization of non-oil and gas properties	44	5	—	49
Accretion of asset retirement obligation	9	8	1	18
General and administrative expenses	91	27	(5)	113
Interest expense	57	50	—	107
Change in fair value of non-oil and gas derivative financial instruments	(10)	—	—	(10)
Other income, net	(6)	(2)	(9)	(17)
Total expenses and other income, net	1,240	414	121	1,775
Earnings from continuing operations before income tax expense	691	206	257	1,154
Income tax expense (benefit):				
Current	55	43	76	174
Deferred	166	(4)	(6)	156
Total income tax expense	221	39	70	330
Earnings from continuing operations	470	167	187	824
Discontinued operations:				
Earnings from discontinued operations before income tax expense	—	—	128	128
Income tax expense	—	—	48	48
Earnings from discontinued operations	—	—	80	80
Net earnings	470	167	267	904
Preferred stock dividends	3	—	—	3
Net earnings applicable to common stockholders	$ 467	$ 167	$ 267	$ 901
Capital expenditures, continuing operations	$ 1,079	$ 192	$ 109	$ 1,380

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	U.S.	Canada	International	Total
		(In millions)		
Six Months Ended June 30, 2008:				
Revenues:				
Oil sales	$ 1,009	$ 838	$ 858	$ 2,705
Gas sales	2,924	906	10	3,840
NGL sales	571	136	—	707
Net loss on oil and gas derivative financial instruments	(2,003)	—	—	(2,003)
Marketing and midstream revenues	1,249	25	—	1,274
Total revenues	3,750	1,905	868	6,523
Expenses and other income, net:				
Lease operating expenses	545	405	93	1,043
Production taxes	183	2	125	310
Marketing and midstream operating costs and expenses	887	10	—	897
Depreciation, depletion and amortization of oil and gas properties	941	438	120	1,499
Depreciation and amortization of non-oil and gas properties	105	13	1	119
Accretion of asset retirement obligation	21	20	3	44
General and administrative expenses	259	68	1	328
Interest expense	88	104	—	192
Change in fair value of non-oil and gas derivative financial instruments	(24)	—	—	(24)
Other income, net	(17)	(5)	(16)	(38)
Total expenses and other income, net	2,988	1,055	327	4,370
Earnings from continuing operations before income tax expense	762	850	541	2,153
Income tax expense:				
Current	345	64	108	517
Deferred	213	152	26	391
Total income tax expense	558	216	134	908
Earnings from continuing operations	204	634	407	1,245
Discontinued operations:				
Earnings from discontinued operations before income tax expense	—	—	1,040	1,040
Income tax expense	—	—	235	235
Earnings from discontinued operations	—	—	805	805
Net earnings	204	634	1,212	2,050
Preferred stock dividends	5	—	—	5
Net earnings applicable to common stockholders	$ 199	$ 634	$ 1,212	$ 2,045
Capital expenditures, before revision of future ARO	$ 2,965	$ 698	$ 301	$ 3,964
Revision of future ARO	70	73	19	162
Capital expenditures, continuing operations	$ 3,035	$ 771	$ 320	$ 4,126

DEVON ENERGY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

	U.S.	Canada	International	Total
		(In millions)		
Six Months Ended June 30, 2007:				
Revenues:				
Oil sales	$ 539	$ 338	$ 679	$ 1,556
Gas sales	1,872	736	4	2,612
NGL sales	313	88	—	401
Net loss on oil and gas derivative financial instruments	(6)	—	—	(6)
Marketing and midstream revenues	823	16	—	839
Total revenues	3,541	1,178	683	5,402
Expenses and other income, net:				
Lease operating expenses	504	283	82	869
Production taxes	115	2	53	170
Marketing and midstream operating costs and expenses	604	7	—	611
Depreciation, depletion and amortization of oil and gas properties	773	342	117	1,232
Depreciation and amortization of non-oil and gas properties	85	10	—	95
Accretion of asset retirement obligation	19	15	2	36
General and administrative expenses	183	52	(3)	232
Interest expense	116	101	—	217
Change in fair value of non-oil and gas derivative financial instruments	(8)	(1)	—	(9)
Other income, net	(18)	(5)	(20)	(43)
Total expenses and other income, net	2,373	806	231	3,410
Earnings from continuing operations before income tax expense	1,168	372	452	1,992
Income tax expense (benefit):				
Current	122	105	136	363
Deferred	252	(5)	(16)	231
Total income tax expense	374	100	120	594
Earnings from continuing operations	794	272	332	1,398
Discontinued operations:				
Earnings from discontinued operations before income tax expense	—	—	265	265
Income tax expense	—	—	108	108
Earnings from discontinued operations	—	—	157	157
Net earnings	794	272	489	1,555
Preferred stock dividends	5	—	—	5
Net earnings applicable to common stockholders	$ 789	$ 272	$ 489	$ 1,550
Capital expenditures, before revision of future ARO	$ 2,022	$ 661	$ 215	$ 2,898
Revision of future ARO	210	99	2	311
Capital expenditures, continuing operations	$ 2,232	$ 760	$ 217	$ 3,209

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

The following discussion addresses material changes in our results of operations and capital resources and uses for the three-month and six-month periods ended June 30, 2008, compared to the three-month and six-month periods ended June 30, 2007, and in our financial condition and liquidity since December 31, 2007. It is presumed that readers have read or have access to our 2007 Annual Report on Form 10-K/A, which includes disclosures regarding critical accounting policies and estimates as part of Management's Discussion and Analysis of Financial Condition and Results of Operations. Unless otherwise stated, all dollar amounts are expressed in U.S. dollars.

Overview

During the second quarter and first six months of 2008, we generated net earnings of $1.3 billion and $2.1 billion, respectively, or $2.88 and $4.55 per diluted share, representing increases of 44% and 32% over the same periods of 2007. Additionally, net cash provided by operating activities for the first half of 2008 climbed to a record amount of $5.2 billion, representing a 55% increase over 2007. These increases in earnings and cash flow are largely attributable to the following factors:

- Production increased 4% and 7% in the second quarter and first six months of 2008, respectively.
- The combined realized price without hedges for oil, gas and NGLs increased 58% and 48% in the second quarter and first six months of 2008, respectively.
- Oil and gas hedges generated net losses of $1.2 billion and $2.0 billion in the second quarter and first six months of 2008, respectively. Included in these amounts are cash payments of $303 million and $311 million, respectively.
- Marketing and midstream operating profit increased 71% and 65% in the second quarter and first six months of 2008, respectively.
- Per unit operating costs rose 18% and 12% in the second quarter and first six months of 2008, respectively.
- General and administrative expenses increased 59% and 41% in the second quarter and first six months of 2008, respectively.
- The effective income tax rates for the second quarter and first six months of 2008 were 53% and 42%, respectively.
- Cash spent on capital expenditures for oil and gas exploration and development activities were $3.6 billion during the first half of 2008.

Additionally, we made significant progress toward completion of our African divestiture program during the second quarter of 2008. We completed the sales of assets in certain West African countries, including Equatorial Guinea—the largest individual transaction in the divestiture program. As a result of the sales, we recognized after-tax gains totaling $647 million in the second quarter of 2008 from proceeds of $2.4 billion ($1.7 billion net of income taxes and purchase price adjustments). Also, in conjunction with these asset sales, we repatriated an additional $1.3 billion of earnings from certain foreign subsidiaries to the United States in the second quarter of 2008. We also expect to repatriate $1.5 billion from certain foreign subsidiaries to the United States in the second half of 2008.

With the proceeds from asset sales, repatriated funds and growing cash flow from operations, we repaid $2.5 billion of commercial paper and credit facility borrowings during the first six months of 2008. We also repurchased 2.8 million common shares for $302 million during the first six months of 2008.

Results of Operations

Revenues

Oil, Gas and NGL Sales

The three-month and six-month comparison of our oil, gas and NGL production and the related prices realized without the effect of hedges is shown in the following tables. The amounts for all periods presented exclude our Egyptian operations that were sold in the fourth quarter of 2007 and our West African operations, which are classified as discontinued operations in our financial statements.

	Total					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2008	2007	Change [2]	2008	2007	Change [2]
Production						
Oil (MMBbls)	13	15	-9%	27	28	-1%
Gas (Bcf)	230	212	+8%	453	414	+9%
NGLs (MMBbls)	7	6	+9%	14	12	+12%
Oil, Gas and NGLs (MMBoe) [1]	59	56	+4%	117	109	+7%
Realized prices without hedges						
Oil (Per Bbl)	$ 110.56	$ 60.01	+84%	$ 98.98	$ 56.22	+76%
Gas (Per Mcf)	$ 9.61	$ 6.43	+49%	$ 8.48	$ 6.31	+34%
NGLs (Per Bbl)	$ 54.08	$ 35.03	+54%	$ 50.76	$ 32.26	+57%
Oil, Gas and NGLs (Per Boe) [1]	$ 69.14	$ 43.68	+58%	$ 62.12	$ 41.87	+48%
Revenues ($ in millions)						
Oil sales	$ 1,455	$ 865	+68%	$ 2,705	$ 1,556	+74%
Gas sales	2,210	1,366	+62%	3,840	2,612	+47%
NGL sales	379	224	+69%	707	401	+76%
Oil, Gas and NGL sales	$ 4,044	$ 2,455	+65%	$ 7,252	$ 4,569	+59%

	Domestic					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2008	2007	Change [2]	2008	2007	Change [2]
Production						
Oil (MMBbls)	5	5	-5%	9	9	-1%
Gas (Bcf)	176	155	+14%	347	301	+15%
NGLs (MMBbls)	6	5	+13%	12	10	+17%
Oil, Gas and NGLs (MMBoe) [1]	40	36	+11%	79	70	+13%
Realized prices without hedges						
Oil (Per Bbl)	$ 122.47	$ 62.68	+95%	$ 109.08	$ 57.67	+89%
Gas (Per Mcf)	$ 9.56	$ 6.35	+51%	$ 8.42	$ 6.22	+35%
NGLs (Per Bbl)	$ 50.66	$ 33.26	+52%	$ 47.78	$ 30.54	+56%
Oil, Gas and NGLs (Per Boe) [1]	$ 63.88	$ 40.71	+57%	$ 56.95	$ 39.05	+46%
Revenues ($ in millions)						
Oil sales	$ 566	$ 305	+86%	$ 1,009	$ 539	+87%
Gas sales	1,688	983	+72%	2,924	1,872	+56%
NGL sales	305	177	+72%	571	313	+83%
Oil, Gas and NGL sales	$ 2,559	$ 1,465	+75%	$ 4,504	$ 2,724	+65%

	Canada					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2008	2007	Change (2)	2008	2007	Change (2)
Production						
Oil (MMBbls)	5	4	+32%	10	8	+32%
Gas (Bcf)	53	56	-7%	105	112	-7%
NGLs (MMBbls)	1	1	-8%	2	2	-10%
Oil, Gas and NGLs (MMBoe) (1)	16	14	+4%	30	28	+3%
Realized prices without hedges						
Oil (Per Bbl)	$ 94.35	$ 46.32	+104%	$ 84.16	$ 45.01	+87%
Gas (Per Mcf)	$ 9.76	$ 6.66	+47%	$ 8.66	$ 6.55	+32%
NGLs (Per Bbl)	$ 75.10	$ 43.82	+71%	$ 68.86	$ 40.37	+71%
Oil, Gas and NGLs (Per Boe) (1)	$ 72.14	$ 41.99	+72%	$ 64.01	$ 40.88	+57%
Revenues ($ in millions)						
Oil sales	$ 498	$ 185	+168%	$ 838	$ 338	+148%
Gas sales	517	380	+36%	906	736	+23%
NGL sales	74	47	+57%	136	88	+54%
Oil, Gas and NGL sales	$ 1,089	$ 612	+78%	$ 1,880	$ 1,162	+62%

	International					
	Three Months Ended June 30,			Six Months Ended June 30,		
	2008	2007	Change (2)	2008	2007	Change (2)
Production						
Oil (MMBbls)	3	6	-41%	8	11	-25%
Gas (Bcf)	1	1	-14%	1	1	+27%
NGLs (MMBbls)	—	—	N/M	—	—	N/M
Oil, Gas and NGLs (MMBoe) (1)	3	6	-41%	8	11	-24%
Realized prices without hedges						
Oil (Per Bbl)	$ 119.87	$ 67.57	+77%	$ 105.63	$ 62.76	+68%
Gas (Per Mcf)	$ 11.00	$ 6.19	+78%	$ 9.56	$ 5.16	+85%
NGLs (Per Bbl)	$ —	$ —	N/M	$ —	$ —	N/M
Oil, Gas and NGLs (Per Boe) (1)	$ 118.70	$ 67.11	+77%	$ 104.68	$ 62.39	+68%
Revenues ($ in millions)						
Oil sales	$ 391	$ 375	+4%	$ 858	$ 679	+26%
Gas sales	5	3	+52%	10	4	+134%
NGL sales	—	—	N/M	—	—	N/M
Oil, Gas and NGL sales	$ 396	$ 378	+5%	$ 868	$ 683	+27%

(1) Gas volumes are converted to Boe or MMBoe at the rate of six Mcf of gas per barrel of oil, based upon the approximate relative energy content of natural gas and oil, which rate is not necessarily indicative of the relationship of oil and gas prices. NGL volumes are converted to Boe on a one-to-one basis with oil.

(2) All percentage changes included in this table are based on actual figures and are not calculated using the rounded figures included in this table.

N/M Not meaningful.

The volume and price changes in the tables above caused the following changes to our oil, gas and NGL sales between the three months ended June 30, 2008 and 2007.

	Oil	Gas	NGLs	Total
		(In millions)		
2007 sales	$ 865	$ 1,366	$ 224	$ 2,455
Changes due to volumes	(75)	113	21	59
Changes due to prices.	665	731	134	1,530
2008 sales	$ 1,455	$ 2,210	$ 379	$ 4,044

The volume and price changes in the tables above caused the following changes to our oil, gas and NGL sales between the six months ended June 30, 2008 and 2007.

	Oil	Gas	NGLs	Total
		(In millions)		
2007 sales	$ 1,556	$ 2,612	$ 401	$ 4,569
Changes due to volumes	(20)	245	48	273
Changes due to prices.	1,169	983	258	2,410
2008 sales	$ 2,705	$ 3,840	$ 707	$ 7,252

Oil Sales

Oil sales decreased $75 million in the second quarter of 2008 due to a two million barrel, or 9%, decrease in production. International production decreased approximately three million barrels due to reaching certain cost recovery thresholds of our carried interest in Azerbaijan. This was partially offset by an additional one million barrels of production due to increased development activity at our Jackfish and Lloydminster areas in Canada.

Oil sales increased $665 million in the second quarter of 2008 as a result of an 84% increase in our realized price without hedges. The average NYMEX West Texas Intermediate index price increased 91% during the same time period, accounting for the majority of the increase.

Oil sales increased $1.2 billion in the first half of 2008 as a result of a 76% increase in our realized price without hedges. The average NYMEX West Texas Intermediate index price increased 80% during the same time period, accounting for the majority of the increase.

Gas Sales

An 18 Bcf, or 8%, increase in production during the second quarter of 2008 caused gas sales to increase by $113 million. Our drilling and development program in the Barnett Shale field in north Texas contributed 22 Bcf to the gas production increase. This increase and the effect of new drilling and development in our other North American properties were partially offset by natural production declines.

Gas sales increased $731 million during the second quarter of 2008 as a result of a 49% increase in our realized price without hedges. This increase is largely due to increases in the regional index prices upon which our gas sales are based.

A 39 Bcf, or 9%, increase in production during the first half of 2008 caused gas sales to increase by $245 million. Our drilling and development program in the Barnett Shale field in north Texas contributed 42 Bcf to the gas production increase. This increase and the effect of new drilling and development in our other North American properties were partially offset by natural production declines.

Gas sales increased $983 million during the first half of 2008 as a result of a 34% increase in our realized price without hedges. This increase is largely due to increases in the regional index prices upon which our gas sales are based.

Net (Loss) Gain on Oil and Gas Derivative Financial Instruments

The following tables provide financial information associated with our oil and gas hedges for the second quarter and first half of 2008 and 2007. The first table presents the cash settlements and unrealized losses and gains recognized as components of our revenues. The subsequent tables present our oil, gas and NGL prices with, and without, the effects of the cash settlements for the second quarter and first half of 2008 and 2007. The prices do not include the effects of unrealized losses and gains.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In millions)			
Cash settlements:				
Gas price swaps	$ (153)	$ 5	$ (161)	$ 15
Gas price collars	(150)	—	(150)	2
Oil price collars	—	—	—	—
Total cash settlements (paid) received	(303)	5	(311)	17
Unrealized (losses) gains on fair value changes:				
Gas price swaps	(247)	9	(618)	(19)
Gas price collars	(620)	—	(1,028)	(4)
Oil price collars	(45)	—	(46)	—
Total unrealized (losses) gains on fair value changes	(912)	9	(1,692)	(23)
Net (loss) gain on oil and gas derivative financial Instruments	$ (1,215)	$ 14	$ (2,003)	$ (6)

	Three Months Ended June 30, 2008			
	Oil (Per Bbl)	Gas (Per Mcf)	NGLs (Per Bbl)	Total (Per Boe)
Realized price without hedges	$ 110.56	$ 9.61	$ 54.08	$ 69.14
Cash settlements of hedges	(0.01)	(1.32)	—	(5.18)
Realized price, including cash settlements	$ 110.55	$ 8.29	$ 54.08	$ 63.96

	Three Months Ended June 30, 2007			
	Oil (Per Bbl)	Gas (Per Mcf)	NGLs (Per Bbl)	Total (Per Boe)
Realized price without hedges	$ 60.01	$ 6.43	$ 35.03	$ 43.68
Cash settlements of hedges	—	0.03	—	0.10
Realized price, including cash settlements	$ 60.01	$ 6.46	$ 35.03	$ 43.78

	Six Months Ended June 30, 2008			
	Oil (Per Bbl)	Gas (Per Mcf)	NGLs (Per Bbl)	Total (Per Boe)
Realized price without hedges	$ 98.98	$ 8.48	$ 50.76	$ 62.12
Cash settlements of hedges	—	(0.69)	—	(2.67)
Realized price, including cash settlements	$ 98.98	$ 7.79	$ 50.76	$ 59.45

	Six Months Ended June 30, 2007			
	Oil (Per Bbl)	Gas (Per Mcf)	NGLs (Per Bbl)	Total (Per Boe)
Realized price without hedges	$ 56.22	$ 6.31	$ 32.26	$ 41.87
Cash settlements of hedges	—	0.04	—	0.16
Realized price, including cash settlements	$ 56.22	$ 6.35	$ 32.26	$ 42.03

Our oil and gas derivative financial instruments include price swaps and costless collars. For the price swaps, we receive a fixed price for our production and pay a variable market price to the contract counterparty. The costless price collars set a floor and ceiling price for the hedged production. If the applicable monthly price indices are outside of the ranges set by the floor and ceiling prices in the various collars, we cash-settle the difference with the counterparty to the collars. Cash settlements as presented in the tables above represent realized losses or gains related to our price swaps and collars.

During the second quarter and first half of 2008, we paid $303 million, or $1.32 per Mcf, and $311 million, or $0.69 per Mcf, respectively, to counterparties to settle our gas price swaps and collars. During the second quarter and first half of 2007, we received $5 million, or $0.03 per Mcf, and $17 million, or $0.04 per Mcf, respectively, from counterparties to settle our gas price swaps and collars.

In addition to recognizing these cash settlement effects, we also recognize unrealized changes in the fair values of our oil and gas derivative instruments in each reporting period. We estimate the fair values of our oil and gas derivative financial instruments primarily by using internal discounted cash flow calculations. From time to time, we validate our valuation techniques by comparing our internally generated fair value estimates with those obtained from contract counterparties and/or brokers.

The most significant variable to our cash flow calculations is our estimate of future commodity prices. We base our estimate of future prices upon published forward commodity price curves such as the Inside FERC Henry Hub forward curve for gas instruments and the NYMEX West Texas Intermediate forward curve for oil instruments. Based on the amount of volumes subject to price swaps and collars at June 30, 2008, a 10% increase in these forward curves would have increased our second quarter 2008 unrealized loss for our oil and gas derivative financial instruments by approximately $550 million. Another key input to our cash flow calculations is our estimate of volatility for these forward curves, which we base primarily upon implied volatility.

During the second quarter and first half of 2008, we recognized unrealized losses totaling $912 million and $1.7 billion, respectively, related to our oil and gas derivative instruments. These losses result primarily from a significant increase in the Inside FERC Henry Hub and the NYMEX West Texas Intermediate forward curves subsequent to the trade dates for our oil and gas price swaps and collars.

During the second quarter and first half of 2007, we recognized an unrealized gain totaling $9 million and an unrealized loss totaling $23 million, related to our gas derivative instruments.

Marketing and Midstream Revenues and Operating Costs and Expenses

The details of the changes in marketing and midstream revenues, operating costs and expenses and the resulting operating profit between the three months ended June 30, 2008 and 2007 and the six months ended June 30, 2008 and 2007 are shown in the table below.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2008	2007	Change [1]	2008	2007	Change [1]
Marketing and midstream ($ in millions):						
Revenues	$ 719	$ 460	+56%	$ 1,274	$ 839	+52%
Operating costs and expenses	515	341	+51%	897	611	+47%
Operating profit	$ 204	$ 119	+71%	$ 377	$ 228	+65%

(1) All percentage changes included in this table are based on actual figures and are not calculated using the rounded figures included in this table.

Marketing and midstream revenues increased $259 million and operating costs and expenses also increased $174 million, causing operating profit to increase $85 million during the second quarter of 2008. Revenues and expenses increased primarily due to higher natural gas and NGL prices, as well as higher gas pipeline throughput in the Barnett Shale.

Marketing and midstream revenues increased $435 million and operating costs and expenses also increased $286 million, causing operating profit to increase $149 million during the first six months of 2008. Revenues and expenses increased primarily due to higher natural gas and NGL prices, as well as higher gas pipeline throughput in the Barnett Shale.

Oil, Gas and NGL Production and Operating Expenses

The three-month and six-month comparisons of oil, gas and NGL production and operating expenses are shown in the table below.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2008	2007	Change [1]	2008	2007	Change [1]
Production and operating expenses ($ in millions):						
Lease operating expenses	$ 537	$ 439	+22%	$1,043	$ 869	+20%
Production taxes	176	90	+95%	310	170	+82%
Total production and operating expenses	$ 713	$ 529	+35%	$1,353	$1,039	+30%
Production and operating expenses per Boe:						
Lease operating expenses	$ 9.18	$ 7.81	+18%	$ 8.93	$ 7.96	+12%
Production taxes	3.01	1.61	+88%	2.66	1.57	+70%
Total production and operating expenses per Boe	$12.19	$ 9.42	+30%	$11.59	$ 9.53	+22%

(1) All percentage changes included in this table are based on actual figures and are not calculated using the rounded figures included in this table.

Lease Operating Expenses ("LOE")

LOE increased $98 million in the second quarter of 2008. The largest contributor to this increase, as well as the increase in LOE per Boe, was higher per-unit costs associated with new thermal heavy oil production from our Jackfish operations in Canada as well as new oil production from Brazil. As these large-scale projects are in the early phases of production, per-unit operating costs are higher than the per-unit costs for our overall portfolio of producing properties. LOE also increased $17 million due to our 4% growth in production. Additionally, the effects of changes in the exchange rate between the U.S. and Canadian dollar caused LOE to increase $17 million. The exchange rate effect also contributed to the increase in LOE per Boe.

LOE increased $174 million in the first half of 2008. The largest contributor to this increase, as well as the increase in LOE per Boe, was higher per-unit costs associated with new thermal heavy oil production from our Jackfish operations in Canada as well as new oil production from Brazil. LOE also increased $61 million due to our 7% growth in production. Furthermore, changes in the exchange rate between the U.S. and Canadian dollar also caused LOE to increase $46 million. This exchange rate also contributed to the increase in LOE per Boe.

Production Taxes

The following table details the changes in production taxes between the three months ended June 30, 2008 and 2007 and the six months ended June 30, 2008 and 2007. The majority of our production taxes are assessed on our U.S. onshore properties and are based on a fixed percentage of revenues. Therefore, the changes due to revenues in the following table primarily relate to changes in oil, gas and NGL revenues from our U.S. onshore properties.

	Three Months Ended June 30,	Six Months Ended June 30,
	(In millions)	
2007 production taxes	$ 90	$ 170
Change due to revenues	58	100
Change due to rate	28	40
2008 production taxes	$ 176	$ 310

Depreciation, Depletion and Amortization Expenses ("DD&A")

The changes in our production volumes, DD&A rate per unit and DD&A of oil and gas properties between the three and six months ended June 30, 2008 and 2007 are shown in the table below.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2008	2007	Change [(1)]	2008	2007	Change [(1)]
Production volumes (MMBoe)	59	56	+4%	117	109	+7%
DD&A rate ($ per Boe)	$ 13.03	$ 11.48	+14%	$ 12.84	$ 11.29	+14%
DD&A expense ($ in millions)	$ 762	$ 645	+18%	$ 1,499	$ 1,232	+22%

(1) All percentage changes included in this table are based on actual figures and are not calculated using the rounded figures included in this table.

The following table details the changes in DD&A of oil and gas properties between the three months and six months ended June 30, 2008 and 2007.

	Three Months Ended June 30,	Six Months Ended June 30,
	(In millions)	
2007 DD&A	$ 645	$ 1,232
Change due to volumes	26	86
Change due to rate	91	181
2008 DD&A	$ 762	$ 1,499

The 4% production increase during the second quarter of 2008 caused oil and gas property related DD&A to increase $26 million. In addition, oil and gas property related DD&A increased $91 million due to a 14% increase in the DD&A rate. The largest contributor to the rate increase was inflationary pressure on costs incurred during 2007 and 2008, as well as the estimated development costs to be spent in future periods on proved undeveloped reserves. Other factors contributing to the rate increase include a higher Canadian-to-U.S. dollar exchange rate in 2008 and the transfer of previously unproved costs to the depletable base as a result of 2007 and 2008 drilling activities.

The 7% production increase during the first half of 2008 caused oil and gas property related DD&A to increase $86 million. In addition, oil and gas property related DD&A increased $181 million due to a 14% increase in the DD&A rate. The largest contributor to the rate increase was inflationary pressure on costs incurred during 2007 and 2008, as well as the estimated development costs to be spent in future periods on proved undeveloped reserves. Other factors contributing to the rate increase include a higher Canadian-to-U.S. dollar exchange rate in 2008 and the transfer of previously unproved costs to the depletable base as a result of 2007 and 2008 drilling activities.

General and Administrative Expenses ("G&A")

The following schedule includes the components of G&A expense for the three-month and six-month periods ended June 30, 2008 and 2007.

	Three Months Ended June 30,			Six Months Ended June 30,		
	2008	2007	Change [(1)]	2008	2007	Change [(1)]
	(In millions)			(In millions)		
Gross G&A	$ 307	$ 222	+38%	$ 584	$ 434	+35%
Capitalized G&A	(100)	(82)	+22%	(199)	(146)	+37%
Reimbursed G&A	(27)	(27)	+1%	(57)	(56)	+3%
Net G&A	$ 180	$ 113	+59%	$ 328	$ 232	+41%

(1) All percentage changes included in this table are based on actual figures and are not calculated using the rounded figures included in this table.

Gross G&A increased $85 million in the second quarter of 2008 compared to the same period of 2007. The largest contributor to the increase was higher employee compensation and benefits costs related to our workforce growth and industry inflation. Additionally, gross G&A increased $27 million due to accelerated expense recognition of share-based compensation. In the second quarter of 2008, we modified the share-based compensation arrangements for certain members of senior management ("executives"). The modified compensation arrangements provide that executives who meet certain years-of-service and age criteria can retire and continue vesting in outstanding share-based grants. This modification results in accelerated expense recognition as executives approach the years-of-service and age criteria. Additionally, when the modification was made in the second quarter of 2008, certain executives had already met the years-of-service and age criteria. As a result, we recognized an additional $27 million of share-based compensation expense in the second quarter of 2008 related to this modification. This additional expense would have been recognized in future reporting periods if the modification had not been made and the executives continued their employment at Devon.

The $18 million increase in capitalized G&A during the second quarter of 2008 is primarily due to the higher employee compensation and benefits costs.

Gross G&A increased $150 million in the first half of 2008 compared to the same period of 2007. The largest contributor to the increase was higher employee compensation and benefits costs related to our workforce growth and industry inflation. Additionally, gross G&A increased $27 million due to the accelerated expense recognition of share-based compensation discussed above.

The $53 million increase in capitalized G&A during the first half of 2008 is primarily due to higher employee compensation and benefits costs.

Interest Expense

The following schedule includes the components of interest expense for the three-month and six-month periods ended June 30, 2008 and 2007.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In millions)			
Interest based on debt outstanding	$ 110	$ 125	$ 236	$ 253
Capitalized interest	(25)	(24)	(56)	(47)
Other	5	6	12	11
Total	$ 90	$ 107	$ 192	$ 217

Interest based on debt outstanding decreased during the second quarter of 2008 and the first half of 2008 primarily due to a decrease in outstanding borrowings. The decrease in borrowings resulted largely from the use of proceeds from asset sales and cash flow from operations to repay all commercial paper and credit facility borrowings in the second quarter of 2008.

Change in Fair Value of Non-Oil and Gas Financial Instruments

The following schedule includes the components of the change in fair value of non-oil and gas financial instruments for the three months and six months ended June 30, 2008 and 2007.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In millions)			
Losses (gains) from:				
Chevron common stock	$ (195)	$ (146)	$ (82)	$ (152)
Option embedded in exchangeable debentures	155	136	58	144
Other	—	—	—	(1)
Total	$ (40)	$ (10)	$ (24)	$ (9)

Each reporting period, we recognize unrealized changes in the fair values of our investment in 14.2 million shares of Chevron common stock and the conversion option embedded in the debentures exchangeable into shares of Chevron common stock. We calculate the fair value of our investment in Chevron common stock using Chevron's published market price. The embedded option is not actively traded in an established market. Therefore, we estimate its fair value using quotes obtained from a broker for trades occurring near the valuation date. Because the exchangeable debentures are due in August 2008, the embedded option's recent fair value changes largely coincide with changes in the market price of Chevron's common stock. As a result, when Chevron's common stock price has increased from one valuation date to another, we have recognized a gain on our investment and a loss on the embedded option. The inverse is also true.

The gain on our investment in Chevron common stock and loss on the embedded option during the second quarter of 2008 were directly attributable to a $13.77 increase in the price per share of Chevron's common stock during the second quarter of 2008. The gain on our investment in Chevron common stock and loss on the embedded option during the second quarter of 2007 were directly attributable to a $10.28 increase in the price per share of Chevron's common stock during the second quarter of 2007.

The gain on our investment in Chevron common stock and loss on the embedded option during the first half of 2008 were directly attributable to a $5.80 increase in the price per share of Chevron's common stock during the first half of 2008. The gain on our investment in Chevron common stock and loss on the embedded option during the first half of 2007 were directly attributable to a $10.71 increase in the price per share of Chevron's common stock during the first half of 2007.

Income Taxes

The following table presents our total income tax expense related to continuing operations and a reconciliation of our effective income tax rate to the U.S. statutory income tax rate for the three-month and six-month periods ended June 30, 2008 and 2007. The primary factors causing our effective rates to vary from 2007 to 2008, and differ from the U.S. statutory rate, are discussed below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Total income tax expense (In millions)	$ 667	$ 330	$ 908	$ 594
U.S. statutory income tax rate	35%	35%	35%	35%
Repatriations and tax policy election changes	25%	—	14%	—
Canadian statutory rate reductions	—	(2%)	—	(1%)
Other, primarily taxation on foreign operations	(7%)	(4%)	(7%)	(4%)
Effective income tax rate	53%	29%	42%	30%

In the both the second quarter and six months ended June 30, 2008, our effective income tax rate was higher than the U.S. statutory income tax rate largely due to two related factors. First, in the second quarter of 2008, we repatriated $1.3 billion in earnings from certain foreign subsidiaries to the United States. We also expect to repatriate approximately $1.5 billion in earnings from foreign subsidiaries to the United States during the last six months of 2008. Second, we made certain tax policy election changes in the second quarter of 2008 to minimize the taxes we otherwise would pay to all relevant tax jurisdictions for the cash repatriations, as well as the taxable gains associated with the sales of assets in West Africa. As a result of the repatriation and tax policy election changes, we recognized additional tax expense of $312 million during the second quarter of 2008. Of the $312 million, $295 million was recognized as current income tax expense, and $17 million was recognized as deferred tax expense.

Excluding the $312 million of additional tax expense, our effective income tax rates would have been 28% for both the second quarter of 2008 and the first half of 2008. These rates, as well as the rates for the second quarter of 2007 and the first half of 2007, were lower than the U.S. statutory income tax rate largely due to our foreign operations, which have statutory rates lower than the U.S. statutory income tax rate. The 2007 rates were also impacted by a $30 million tax benefit that we recognized as a result of a statutory rate reduction enacted by the Canadian Federal government in the second quarter of 2007.

Additionally, we expect our effective income tax rate for the remainder of 2008 will approximate the 28% rate applicable to the first half of 2008, excluding the $312 million of additional tax expense.

Earnings from Discontinued Operations

Our discontinued operations consist of our operations in Egypt, which were sold in the fourth quarter of 2007, and our operations in West Africa, including Equatorial Guinea, Gabon, Cote D'Ivoire and other countries in the region.

Following are the components of earnings from discontinued operations for the three months and six months ended June 30, 2008 and 2007.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(In millions)			
Earnings from discontinued operations before income taxes	$ 851	$ 128	$ 1,040	$ 265
Income tax expense	144	48	235	108
Earnings from discontinued operations	$ 707	$ 80	$ 805	$ 157

Earnings from discontinued operations increased $627 million in the second quarter of 2008 and increased $648 million in the first half of 2008. The largest contributor to these increases was the recognition of after-tax gains totaling $647 million upon the sale of our assets in Equatorial Guinea, Gabon and other countries in the second quarter of 2008.

Capital Resources, Uses and Liquidity

The following discussion of liquidity and capital resources should be read in conjunction with the consolidated statements of cash flows included in Part I, Item 1.

Sources and Uses of Cash

	Six Months Ended June 30,	
	2008	2007
	(In millions)	
Sources of cash and cash equivalents:		
Operating cash flow — continuing operations	$ 5,066	$ 3,152
Sales of property and equipment	108	37
Stock option exercises	104	60
Net sales of short-term investments	245	259
Cash received from discontinued operations	1,746	—
Other	55	17
Total sources of cash and cash equivalents	7,324	3,525
Uses of cash and cash equivalents:		
Capital expenditures	(3,867)	(2,990)
Net commercial paper repayments	(1,004)	(183)
Net repayments of debt	(1,497)	—
Repurchases of common stock	(252)	(10)
Redemption of preferred stock	(150)	—
Dividends	(146)	(129)
Total uses of cash and cash equivalents	(6,916)	(3,312)
Increase from continuing operations	408	213
Increase from discontinued operations, net	83	82
of distributions to continuing operations Effect of foreign exchange rates	(19)	16
Net increase in cash and cash equivalents	$ 472	$ 311
Cash and cash equivalents at end of period	$ 1,845	$ 1,067
Short-term investments at end of period	$ 1	$ 315

Operating Cash Flow — Continuing Operations

Net cash provided by operating activities ("operating cash flow") continued to be the primary source of capital and liquidity in the first half of 2008. Changes in operating cash flow are largely due to the same factors that affect our net earnings, with the exception of those earnings changes due to such noncash expenses as DD&A, financial instrument fair value changes and deferred income tax expense. As a result, our operating cash flow increased in 2008 primarily due to the increase in earnings as discussed in the "Results of Operations" section of this report.

During the first half of 2008, our operating cash flow was sufficient to fund our capital expenditures. Additionally, during 2007, operating cash flow was sufficient to fund all of our capital expenditures.

Other Sources of Cash

As needed, we utilize cash on hand and access our available credit under our credit facilities and commercial paper program as sources of cash to supplement our operating cash flow. Additionally, we sometimes acquire short-term investments to maximize our income on available cash balances. As needed, we may reduce such short-term investment balances to further supplement our operating cash flow. During 2008, we reduced our short-term investment balances by $245 million. During 2007, we reduced our short-term investment balances by $259 million to supplement our operating cash flow and fund debt repayments.

In 2008, another significant source of cash is the proceeds from our African divestiture program. In the second quarter of 2008, we received $2.4 billion in proceeds ($1.7 billion net of income taxes and purchase price adjustments) for sales of assets located in certain West African countries, including Equatorial Guinea—the largest individual transaction in the divestiture program. Also, in conjunction with these asset sales, we repatriated an additional $1.3 billion of earnings from certain foreign subsidiaries to the United States in the second quarter of 2008.

During 2008, we have used the proceeds from asset sales, repatriated funds and our operating cash flow in excess of capital expenditures to fund debt repayments, common stock repurchases and dividends on common and preferred stock.

Capital Expenditures

Following are the components of our capital expenditures for the first half of 2008 and 2007.

	Six Months Ended June 30,	
	2008	2007
	(In millions)	
U.S. Onshore	$ 2,082	$ 1,526
U.S. Offshore	538	300
Canada	707	682
International	274	269
Total exploration and development	3,601	2,777
Midstream	205	171
Other	61	42
Total capital expenditures	$ 3,867	$ 2,990

Our capital expenditures consist of amounts related to our oil and gas exploration and development operations, our midstream operations and other corporate activities. The vast majority of our capital expenditures are for the acquisition, drilling or development of oil and gas properties, which totaled $3.6 billion and $2.8 billion in the first six months of 2008 and 2007, respectively. Capital expenditures for our midstream operations are primarily for the construction and expansion of natural gas processing plants, natural gas pipeline systems and oil pipelines.

Our exploration and development capital expenditures increased $824 million in the first six months of 2008. The higher expenditures primarily relate to increased drilling activities in the Barnett Shale, Gulf of Mexico and Carthage areas of the United States. Expenditures also increased due to inflationary pressure driven by increased competition for field services.

Net Repayments of Debt

During the first half of 2008, we repaid $2.5 billion in outstanding credit facility and commercial paper borrowings primarily with proceeds received from the sales of assets under our African divestiture program and cash generated from operations. This compares to $183 million of commercial paper borrowings we repaid during the first half of 2007.

Also during the first half of 2008, certain holders of exchangeable debentures exercised their option to exchange their debentures for shares of Chevron common stock that we own prior to the debentures' August 15, 2008 maturity date. We have the option, in lieu of delivering shares of Chevron common stock, to pay exchanging debenture holders an amount of cash equal to the market value of Chevron common stock. We paid $47 million in cash to debenture holders who exercised their exchange rights in the first half of 2008. This amount included the retirement of debentures with a book value of $28 million and a $19 million reduction of the related embedded derivative option's balance.

Repurchases of Common Stock

During the first half of 2008, we repurchased 2.8 million shares for $302 million, or $106.01 per share. The 2.8 million shares include 2.0 million shares that were repurchased under our 50 million share program and 0.8 million shares that were repurchased under our ongoing, annual stock repurchase program.

Redemption of Preferred Stock

On June 20, 2008, we redeemed all 1.5 million outstanding shares of our 6.49% Series A cumulative preferred stock. Each share of preferred stock was redeemed for cash at a redemption price of $100 per share, plus accrued and unpaid dividends up to the redemption date.

Dividends

Our common stock dividends were $141 million (or a quarterly rate of $0.16 per share) and $124 million (or a quarterly rate of $0.14 per share) in the first half of 2008 and 2007, respectively. The higher dividend rate was the primary cause of the increase in common dividends. We also paid $5 million of preferred stock dividends in the first six months of 2008 and 2007.

Liquidity

Our primary source of capital and liquidity has been our operating cash flow. Additionally, we maintain revolving lines of credit and a commercial paper program which can be accessed as needed to supplement operating cash flow. Other available sources of capital and liquidity include cash on hand and the issuance of equity securities and long-term debt. Another major source of near-term liquidity is proceeds from the sales of our operations in West Africa, including related repatriations of earnings from certain foreign subsidiaries to the United States. In the second quarter of 2008, we repatriated $1.3 billion in earnings. We expect to repatriate approximately $1.5 billion during the last six months of 2008.

Operating Cash Flow

Our operating cash flow increased 55% to a record high of $5.2 billion in the first half of 2008. We expect operating cash flow to continue to be our primary source of liquidity. Our operating cash flow is sensitive to many variables, the most volatile of which is pricing of the oil, natural gas and NGLs produced. To mitigate some of the risk inherent in prices, we have utilized various price collars to set minimum and maximum prices on a portion of our production. We have also utilized various price swap contracts and fixed-price physical delivery contracts to fix the price of a portion of our future oil and natural gas production. As disclosed in "Item 7A. Quantitative and Qualitative Disclosures of Market Risk" of our 2007 Annual Report on Form 10-K/A, approximately 64% of our estimated 2008 natural gas production and 12% of our estimated oil production are subject to either price collars, swaps or fixed-price contracts. Additionally, subsequent to the filing of our 2007 Annual Report, we have entered into additional gas price collars, which represent approximately 10% of our estimated 2009 natural gas production. The key terms of these 2009 price collars are included in "Item 3. Quantitative and Qualitative Disclosures of Market Risk" of this report.

Interest Rate Swaps

As of June 30, 2008, we had long-term debt of $4.8 billion. All of this long-term debt bears interest at fixed rates with an overall weighted-average rate of 7.6%. In July 2008, we entered into interest rate swaps to mitigate a portion of the fair value effects of interest rate fluctuations on our fixed-rate debt. Under the terms of these swaps, we receive a fixed rate and pay a variable rate on a total notional amount of $1.05 billion. The key terms of these interest rate swaps are presented in the table below.

Notional (In millions)	Fixed Rate Received	Variable Rate Paid	Expiration
$ 500	3.90%	Federal funds rate	July 18, 2013
$ 300	4.30%	Six month LIBOR	July 18, 2011
$ 250	3.85%	Federal funds rate	July 22, 2013
$ 1,050	4.00%		

Including the effects of these swaps, the weighted-average interest rate related to our fixed-rate debt was 7.2% as of July 31, 2008.

Credit Availability

In April 2008, we extended the maturity of $2.0 billion of our existing $2.5 billion five-year, syndicated, unsecured revolving line of credit (the “Senior Credit Facility”) from April 7, 2012 to April 7, 2013. Lenders representing $0.5 billion of the Senior Credit Facility did not approve a maturity date extension. Therefore, the maturity date for $0.5 billion of the Senior Credit Facility remains at April 7, 2012.

On August 7, 2007, we established a $1.5 billion 364-day, syndicated, unsecured revolving senior credit facility (the “Short-Term Facility”). This facility matured on August 5, 2008 and was not extended. As a result of the Short-Term Facility’s maturity, our commercial paper program capacity decreased from $3.5 billion to $2.0 billion.

The Senior Credit Facility contains only one material financial covenant. This covenant requires our ratio of total funded debt to total capitalization, as defined in the credit agreement, to be no more than 65%. As of June 30, 2008, we were in compliance with this covenant. Our debt-to-capitalization ratio at June 30, 2008, as calculated pursuant to the terms of the agreement, was 16.3%.

As of August 5, 2008, our available capacity under our Senior Credit Facility was approximately $2.4 billion. This available capacity is net of $140 million of outstanding letters of credit. There were no outstanding commercial paper or Senior Credit Facility borrowings as of August 5, 2008.

Debt Ratings

During the first quarter of 2008, Standard and Poor’s upgraded our credit rating from BBB with a positive outlook to BBB+ with a stable outlook. During the second quarter of 2008, Fitch upgraded our credit rating from BBB with a positive outlook to BBB+ with a stable outlook. We are not aware of any potential downgrades or changes contemplated by the other rating agencies as of July 31, 2008.

Property Divestitures

In the second quarter of 2008, we made significant progress toward completion of our African divestiture program. We completed the sales of assets in certain West African countries, including Equatorial Guinea—the largest individual transaction in the divestiture program. As a result of the sales, we received proceeds of $2.4 billion ($1.7 billion net of income taxes and purchase price adjustments).

We have also entered into agreements to sell our operations in Cote D’Ivoire and other countries located in West Africa for approximately $250 million. Devon is obtaining the necessary partner and government approvals for these properties and expects to complete the remaining sales during the third quarter of 2008.

Capital Expenditures

In February 2008, we provided guidance for our 2008 capital expenditures. At that time, we estimated capital expenditures for our oil and gas exploration and development operations would range from $5.6 billion to $5.9 billion.

With higher than expected realized oil and gas prices through the first half of 2008 and the proceeds received from sales of assets in West Africa in the second quarter of 2008, we now have robust cash flow and liquidity that can be leveraged to optimize Devon's value per share. In addition to repaying our commercial paper and credit facility borrowings and restarting our substantial share repurchase program, we are also increasing our planned 2008 investment in capital projects. Therefore, we have increased our estimate of 2008 capital expenditures for oil and gas exploration and development operations, which are now expected to range from $7.2 billion to $7.5 billion. A significant portion of this incremental capital is directed to additional acreage capture in North America and increased investment in the Lower Tertiary trend.

Common Stock Repurchase Programs

Our Board of Directors approved an ongoing, annual stock repurchase program to minimize dilution resulting from restricted stock issued to, and options exercised by, employees. In 2008, the repurchase program authorizes the repurchase of up to 4.8 million shares or a cost of $422 million, whichever amount is reached first. Our Board of Directors also approved a separate program to repurchase up to 50 million shares, which expires on December 31, 2009. As of June 30, 2008, up to 4.0 million shares or $358 million can be repurchased under the ongoing, annual repurchase program and up to 48.0 million shares can be repurchased under the 50 million share repurchase program.

Auction Rate Securities

At December 31, 2007, we held $372 million of auction rate securities, which are asset-backed securities that have an auction rate reset feature. Our auction rate securities are rated AAA—the highest rating—by one or more rating agencies and are collateralized by student loans that are substantially guaranteed by the United States government. Although our auction rate securities generally have contractual maturities of more than 20 years, the underlying interest rates on such securities are scheduled to reset every seven to 28 days. Therefore, these auction rate securities were generally priced and subsequently traded as short-term investments because of the interest rate reset feature. As a result, we considered our auction rate securities to be short-term investments at the end of 2007.

During the first half of 2008, we reduced our auction rate securities holdings to $127 million as of June 30, 2008. However, since February 8, 2008 we have experienced difficulty selling our securities due to the failure of the auction mechanism, which provides liquidity to these securities. An auction failure means that the parties wishing to sell securities could not do so. The securities for which auctions have failed will continue to accrue interest and be auctioned every seven to 28 days until the auction succeeds, the issuer calls the securities or the securities mature.

From February 2008, when auctions began failing, to June 30, 2008, issuers redeemed $26 million of our auction rate securities holdings at par. Additionally, our auction rate securities holdings as of June 30, 2008 include approximately $1 million of securities that were called at par value by the issuer and were repaid on July 10, 2008. These called securities continue to be considered short-term investments as of June 30, 2008. However, based on continued auction failures and the current market for our auction rate securities, we have classified the $126 million of securities that have not been called as long-term investments as of June 30, 2008 and generally not available for short-term liquidity needs.

As of December 31, 2007, we estimated the fair values of our short-term auction rate securities using quoted market prices. However, due to the auction failures discussed above and the lack of an active market for our long-term securities, quoted market prices for the vast majority of these securities were not available as of June 30, 2008. Therefore, we used valuation techniques that rely on unobservable inputs to estimate the fair values of our long-term auction rate securities as of June 30, 2008. These inputs were based on the AAA credit rating of the securities, the probability of full repayment of the securities considering the United States government guarantees of substantially all of the underlying student loans and the collection of all accrued interest to date. As a result of using these inputs, we concluded the estimated fair values of our long-term auction rate securities approximated the par values as of June 30, 2008. At this time, we do not believe the values of our long-term securities are impaired.

Recently Issued Accounting Standards Not Yet Adopted

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 141(R), *Business Combinations* , which replaces Statement No. 141. Statement No. 141(R) retains the fundamental requirements of Statement No. 141 that an acquirer be identified and the acquisition method of accounting (previously called the purchase method) be used for all business combinations. Statement No. 141(R)'s scope is broader than that of Statement No. 141, which applied only to business combinations in which control was obtained by transferring consideration. By applying the acquisition method to all transactions and other events in which one entity obtains control over one or more other businesses, Statement No. 141(R) improves the comparability of the information about business combinations provided in financial reports. Statement No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures identifiable assets acquired, liabilities assumed and any noncontrolling interest in the acquiree, as well as any resulting goodwill. Statement No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. We will evaluate how the new requirements of Statement No. 141(R) would impact any business combinations completed in 2009 or thereafter.

In December 2007, the FASB also issued Statement of Financial Accounting Standards No. 160, *Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51* . A noncontrolling interest, sometimes called a minority interest, is the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent. Statement No. 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Under Statement No. 160, noncontrolling interests in a subsidiary must be reported as a component of consolidated equity separate from the parent's equity. Additionally, the amounts of consolidated net income attributable to both the parent and the noncontrolling interest must be reported separately on the face of the income statement. Statement No. 160 is effective for fiscal years beginning on or after December 15, 2008 and earlier adoption is prohibited. We do not expect the adoption of Statement No. 160 to have a material impact on our financial statements and related disclosures.

In March 2008, the FASB issued Statement of Financial Accounting Standards No. 161, *Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133* . Statement No. 161 requires additional disclosures about derivative and hedging activities and is effective for fiscal years and interim periods beginning after November 15, 2008. We are evaluating the impact the adoption of Statement No. 161 will have on our financial statement disclosures. However, our adoption of Statement No. 161 will not affect our current accounting for derivative and hedging activities.

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

Gas Collar Contracts

We have various financial price swaps to fix the price of a portion of our 2008 gas production. We also have various financial price collars to set minimum and maximum prices on a portion of our 2008 oil and gas production. The key terms to these 2008 price swaps and collars are included in Item 7A. "Quantitative and Qualitative Disclosures about Market Risk" in our 2007 Annual Report on Form 10-K/A.

We have also entered into various financial price collars to set minimum and maximum prices on approximately 10% of our expected 2009 gas production. The key terms to our 2009 gas financial collar contracts are not included in our 2007 Annual Report on Form 10-K/A but are presented in the following table.

Gas Price Collar Contracts

		Floor Price		Ceiling Price	
Period	**Volume (MMBtu/d)**	**Floor Range ($/MMBtu)**	**Weighted Average Floor Price ($/MMBtu)**	**Ceiling Range ($/MMBtu)**	**Weighted Average Ceiling Price ($/MMBtu)**
First quarter.	300,000	$8.00 - $8.50	$8.25	$10.60 - $14.00	$11.97
Second quarter	300,000	$8.00 - $8.50	$8.25	$10.60 - $14.00	$11.97
Third quarter.	300,000	$8.00 - $8.50	$8.25	$10.60 - $14.00	$11.97
Fourth quarter	300,000	$8.00 - $8.50	$8.25	$10.60 - $14.00	$11.97
2009 average	300,000	$8.00 - $8.50	$8.25	$10.60 - $14.00	$11.97

The fair values of all our oil and gas hedging instruments are largely determined by estimates of the forward curves of relevant oil and gas price indexes. At June 30, 2008, a 10% increase in these forward curves would have increased the net liabilities recorded for our 2008 and 2009 commodity hedging instruments by approximately $550 million.

Item 4. *Controls and Procedures*

Disclosure Controls and Procedures

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

Based on their evaluation, Devon’s principal executive and principal financial officers have concluded that Devon’s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective as of June 30, 2008 to ensure that the information required to be disclosed by Devon in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

Changes in Internal Control Over Financial Reporting

There was no change in Devon’s internal control over financial reporting during the second quarter of 2008 that has materially affected, or is reasonably likely to materially affect, Devon’s internal control over financial reporting.

Part II. Other Information

Item 1. *Legal Proceedings*

There have been no material changes to the information included in Item 3. “Legal Proceedings” in our 2007 Annual Report on Form 10-K/A.

Item 1A. *Risk Factors*

There have been no material changes to the information included in Item 1A. “Risk Factors” in our 2007 Annual Report on Form 10-K/A.

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

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
April	—	$ —	—	53,991,900
May	—	$ —	—	53,991,900
June	2,036,715	$116.57	2,036,715	51,955,185
Total	2,036,715	$116.57	2,036,715	

(1) Our Board of Directors approved an ongoing, annual stock repurchase program to minimize dilution resulting from restricted stock issued to, and options exercised by, employees. In 2008, the repurchase program authorizes the repurchase of up to 4.8 million shares or a cost of $422 million, whichever amount is reached first. Our Board of Directors also approved a separate program to repurchase up to 50 million shares, which expires on December 31, 2009. All shares repurchased during the second quarter of 2008 were repurchased under the 50 million share repurchase program. As of June 30, 2008, up to 4.0 million shares or $358 million can be repurchased under the ongoing, annual repurchase program and up to 48.0 million shares can be repurchased under the 50 million share repurchase program.

Item 3. *Defaults Upon Senior Securities*

None.

Item 4. *Submission of Matters to a Vote of Security Holders*

(a) Devon’s Annual Meeting of Stockholders was held in Oklahoma City, Oklahoma at 8:00 a.m., local time, on Wednesday, June 4, 2008.

(b) Proxies for the meeting were solicited pursuant to Regulation 14 under the Securities Exchange Act of 1934, as amended. There was no solicitation in opposition to the nominees for election as Directors as listed in the Proxy Statement for the June 4, 2008 meeting and all nominees were elected.

(c) A total of 401,657,101 shares of Devon’s common stock outstanding and entitled to vote were present at the June 4, 2008 meeting in person or by proxy, representing approximately 90.11% of the total outstanding shares. The matters voted upon were as follows:

1. The election of three Directors to serve on Devon's Board of Directors until the 2011 Annual Meeting of Stockholders. A total of at least 98.65% of all voted shares were cast for approval of each nominee. The vote tabulation with respect to each nominee was as follows:

Nominee	For	Authority Withheld
David A. Hager	396,269,943	5,387,158
John A. Hill	396,241,980	5,415,121
Mary P. Ricciardello	396,253,911	5,403,190

2. Ratification of KPMG LLP as the Company's Independent Auditors for 2008. A total of 97.99% of all voted shares were cast for ratification of KPMG LLP. The results of the votes were as follows:

FOR:	393,574,431
AGAINST:	4,480,321
ABSTAIN:	3,602,349

3. The adoption of an amendment to the Restated Certificate of Incorporation to increase the number of authorized shares of common stock. A total of 97.07% of all voted shares were cast to increase the number of authorized shares of common stock.

FOR:	389,884,929
AGAINST:	8,003,108
ABSTAIN:	3,769,064

4. The adoption of an amendment to the Restated Certificate of Incorporation to provide for the annual election of directors. A total of 98.06% of all voted shares were cast to provide for the annual election of directors.

FOR:	393,850,136
AGAINST:	4,165,847
ABSTAIN:	3,641,118

Item 5. ***Other Information***

None.

Item 6. *Exhibits*

(a) *Exhibits* required by Item 601 of Regulation S-K are as follows:

Exhibit Number	Description
3.1	Registrant's Certificate of Amendment of Restated Certificate of Incorporation.
10.1	Form of Amendment to Nonqualified Stock Option Award Agreements under the Devon Energy Corporation 2005 Long-Term Incentive Plan between Registrant and Stephen J. Hadden, R. Alan Marcum, J. Larry Nichols, John Richels, Frank W. Rudolph, Daryl G. Smette and Lyndon C. Taylor. *
10.2	Form of Amendment to Restricted Stock Award Agreements under the Devon Energy Corporation 2005 Long-Term Incentive Plan between Registrant and Stephen J. Hadden, R. Alan Marcum, J. Larry Nichols, John Richels, Frank W. Rudolph, Darryl G. Smette and Lyndon C. Taylor. *
10.3	Form of Non-Management Director Nonqualified Stock Option Award Agreement under the Devon Energy Corporation 2005 Long-Term Incentive Plan between Registrant and all Non-Management Directors.*
10.4	Form of Non-Management Director Restricted Stock Award Agreement under the Devon Energy Corporation 2005 Long-Term Incentive Plan between Registrant and all Non-Management Directors.*
31.1	Certification of J. Larry Nichols, Chief Executive Officer of Registrant, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Danny J. Heatly, Vice President – Accounting and Chief Accounting Officer of Registrant, pursuant to Rule 13a-14 (a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of J. Larry Nichols, Chief Executive Officer of Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Danny J. Heatly, Vice President – Accounting and Chief Accounting Officer of Registrant, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Compensatory plans or arrangements

SIGNATURES

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

DEVON ENERGY CORPORATION

Date: August 7, 2008

/s/ Danny J. Heatly

Danny J. Heatly
Vice President – Accounting and Chief Accounting Officer

INDEX TO EXHIBITS

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* Compensatory plans or arrangements

CERTIFICATE OF AMENDMENT

OF

RESTATED CERTIFICATE OF INCORPORATION

OF

DEVON ENERGY CORPORATION

Devon Energy Corporation (the " Corporation "), a corporation organized and existing under and by virtue of The General Corporation Law of the State of Delaware, as amended (the " DGCL "), DOES HEREBY CERTIFY:

FIRST: That the Board of Directors of the Corporation duly adopted resolutions proposing and declaring advisable the following amendments to the Restated Certificate of Incorporation of the Corporation.

RESOLVED, that the Corporation's Restated Certificate of Incorporation be amended so that Sections A and Section D of Article IV thereof shall read in their entirety as follows:

ARTICLE IV
Authorized Capital Stock

A. The Corporation shall be authorized to issue a total of 1,004,500,000 shares of capital stock divided into two classes as follows:

(1) 1,000,000,000, shares of Common Stock, par value $.10 per share ("Common Stock"), and

(2) 4,500,000 shares of Preferred Stock, par value $1.00 per share ("Preferred Stock").

D. OMITTED IN ITS ENTIRETY.

FURTHER RESOLVED, that the Corporation's Restated Certificate of Incorporation be further amended so that Article V thereof shall read in its entirety as follows:

ARTICLE V
Election of Directors

A. The business and affairs of the Corporation shall be conducted and managed by, or under the direction of, the Board. The number of directors which shall constitute the entire Board shall not be less than three nor more than twenty, and shall be determined by resolution adopted by a majority of the entire Board. No reduction in number shall have the effect of removing any director prior to the expiration of his or her term.

B. Beginning with the 2011 annual meeting of stockholders, all directors of the Corporation shall be of one class and shall serve for a term ending at the next following annual meeting of stockholders. Prior to the 2011 annual meeting of stockholders, the Board, other than those directors elected by the holders of any series of Preferred Stock as provided for or fixed pursuant to the provisions of Article IV, shall be divided into three classes, Class I, Class II and Class III, with the directors of each class elected to serve as follows: Directors designated as Class III Directors elected at the 2008 annual meeting of stockholders shall serve for a term ending at the 2011 annual meeting of stockholders; directors designated as Class II Directors to be elected at the 2009 annual meeting of stockholders shall serve for a term ending at the 2011 annual meeting of stockholders; and directors designated as Class I Directors to be elected at the 2010 annual meeting of stockholders shall serve for a term ending at the 2011 annual meeting of stockholders. Directors elected prior to the 2008 annual meeting of stockholders shall continue to serve for the term, and as a member of the class, to which they had previously been elected. In the event of any increase in the authorized number of directors of the Corporation prior to the 2011 annual meeting, the newly created directorships shall be allocated among Class I, Class II and Class III so as to result in the number of directors in each class being as equal as possible. In the event of any change in the authorized number of directors of the Corporation, each director of the Corporation then continuing to serve as such shall nevertheless continue as a director until the expiration of his current term, or his prior death, resignation or removal.

C. Except as otherwise provided for or fixed pursuant to the provisions of Article IV relating to the rights of the holders of any series of Preferred Stock to elect additional directors, and subject to the provisions hereof, newly created directorships resulting from any increase in the authorized number of directors, and any vacancies on the Board resulting from death, resignation, disqualification, removal, or other cause, may be filled only by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the Board. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the term of the class in which the new directorship was created or in which the vacancy occurred, and until such director’s successor shall have been duly elected and qualified, subject to his earlier death, disqualification, resignation or removal. Except as otherwise provided pursuant to Article IV of this Certificate of Incorporation relating to additional directors elected by the holders of one or more series of Preferred Stock, no decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

D. During any period when the holders of any series of Preferred Stock have the right to elect additional directors as provided for or fixed pursuant to the provisions of Article IV, then upon commencement and for the duration of the period during which such right continues (i) the then otherwise total authorized number of directors of the Corporation shall automatically be increased by such specified number of directors, and the holders of such Preferred Stock shall be entitled to elect the additional directors so provided for or fixed pursuant to said provisions, and (ii) each such additional director shall serve until such director’s successor shall have been duly elected and qualified, or until such director’s right to hold such office terminates pursuant to said provisions, whichever occurs earlier, subject to his earlier death, disqualification, resignation or removal. Except as otherwise provided by the Board in the resolution or resolutions establishing such series, whenever the holders of any series of Preferred Stock having such right to elect additional directors are divested of such right pursuant to the provisions of such stock, the terms of office of all such additional directors elected by the holders of such stock, or elected to fill any vacancies resulting from the death, resignation, disqualification or removal of such additional directors, shall forthwith terminate and the total and authorized number of directors of the Corporation shall be reduced accordingly.

SECOND: That the aforesaid amendments were duly adopted in accordance with the applicable provisions of Sections 242 of the DGCL.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be executed by its duly authorized officer this 4th day of June, 2008.

DEVON ENERGY CORPORATION

By: /s/ Janice A. Dobbs
Name: Janice A. Dobbs
Title: Corporate Secretary

Exhibit 10.1

AMENDMENT TO NONQUALIFIED STOCK OPTION AWARD AGREEMENTS
UNDER THE
DEVON ENERGY CORPORATION 2005 LONG-TERM INCENTIVE PLAN

THIS AMENDMENT TO NONQUALIFIED STOCK OPTION AWARD AGREEMENTS (“Amendment”) is entered into as of the ___ day of ___________, 2008 by and between Devon Energy Corporation, a Delaware corporation (the “Company”), and ___________(the “Participant”).

W I T N E S S E T H:

WHEREAS, the Company and the Participant have previously entered into certain Nonqualified Stock Option Award Agreements under the Devon Energy Corporation 2005 Long-Term Incentive Plan listed on Exhibit A (the “Agreements”), which granted to the Participant options to purchase shares of Common Stock of the Company (the “Stock Options”) in exchange for the Participant’s performance of future services for the Company pursuant to the terms of the Agreements; and

WHEREAS, the Company and the Participant desire to amend the Agreements with respect to the vesting and exercisability of the Stock Options following the date of retirement of the Participant under certain circumstances; and

WHEREAS, Section 12.7 of the Plan permits the Compensation Committee of the Company’s Board of Directors (the “Committee”) to amend the Agreements; and

WHEREAS, the Committee has approved the amendment of the Agreements as set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree that the Agreements are hereby amended as follows:

1. Section 1 is hereby amended by deleting the definition of “Early Retirement Date” in Section 1(b) and by inserting the definition of “Normal Retirement Date” in Section 1(b).

2. Section 1 is hereby amended by adding a new definition in Section 1(c) as follows:

   ““Post-Retirement Eligible” means the Participant’s Date of Termination occurs (i) by reason of the Participant’s retirement and (ii) on or after the Participant has attained age fifty-five (55) with ten (10) or more Years of Service, as that term is defined in the Retirement Plan.”

3. The first sentence of Section 3 is hereby amended to read as follows:

   “Each installment of Covered Shares of the Stock Option shall be exercisable on and after the Vesting Date for such installment as described in the following schedule (but only if the Participant’s Date of Termination has not occurred before the Vesting Date, except as otherwise provided in Section 3 of this Award Agreement):"

4. The first sentence of Section 3(a) is hereby amended to read as follows:

"The Stock Option shall become fully exercisable upon the occurrence of a Change of Control Event that occurs (i) prior to the Participant's Date of Termination or (ii) if the Participant has retired prior to such Change of Control Event and is Post-Retirement Eligible, following the Participant's Date of Termination."

5. Section 3 is hereby amended to delete from Section 3(c) the phrase "or Early Retirement Date (as such term is defined in the Company's Retirement Plan)."

6. Section 3 is hereby amended to add a Section 3(d):

"(d) Notwithstanding any provision to the contrary in this Award Agreement, if the Participant is Post-Retirement Eligible, the Participant shall, subject to the satisfaction of the conditions in Section 10, be eligible to vest, in accordance with the Vesting Schedule above in this Section 3, in the installments of the Covered Shares of the Stock Option that remain unvested on the Date of Termination as follows:

Age at Retirement	Percentage of Unvested Installments of Covered Shares of the Stock Option Eligible to be Earned by the Participant
54 and earlier	0%
55	60%
56	65%
57	70%
58	75%
59	80%
60 and beyond	100%

7. The last paragraph of Section 3 is amended to read as follows:

"Nothing in this Award Agreement shall be construed to affect the application of Section 12.6 of the Plan (relating to Change of Control) to the extent such Section would otherwise be applicable."

8. Section 4 is hereby amended to read as follows:

“ Term of Stock Option . The Stock Option shall cease to be exercisable on the earliest to occur of:

(a) The Expiration Date set forth on the Cover Page.

(b) If the Participant’s Date of Termination occurs by reason of death, the three-year anniversary of such Date of Termination.

(c) If the Participant’s Date of Termination occurs by reason of Disability, the one-year anniversary of such Date of Termination.

(d) If the Participant’s Date of Termination occurs by reason of the Participant’s retirement and the Participant is Post-Retirement Eligible, the Expiration Date of the Stock Option; provided, however, if a Non-Compliance Event (as defined in Section 10) occurs following such retirement, the Stock Option shall cease to be exercisable on the one-year anniversary of such Non-Compliance Event.

(e) If (i) the Participant’s Date of Termination occurs by reason of the Participant’s retirement, (ii) the Date of Termination occurs on or after the Participant’s Normal Retirement Date, and (iii) the Participant is not Post-Retirement Eligible, the three-year anniversary of such Date of Termination (or such later date as may be permitted by the Committee).

(f) If the Participant’s Date of Termination occurs under circumstances in which the Participant is entitled to severance benefits from the Company, a Subsidiary of the Company, or an Affiliated Entity under an employment agreement or severance agreement, the last day of the Severance Period. The “Severance Period” shall be the longer of:

(i) the period beginning on the Date of Termination and continuing through the end of the period during which such severance benefits are paid to the Participant; or

(ii) the period described in the following clause (b), if the amount of the Participant’s severance benefits is determined in whole or in part as being equal to the product of (a) the Participant’s salary rate, multiplied by (b) a period over which such benefit would be computed.

(g) If the Participant’s Date of Termination occurs and Sections (b), (c), (d), (e) and (f) are not applicable, the three-month anniversary of such Date of Termination.”

9. By adding a new Section 10 that provides as follows:

“10. Conditions to Post-Retirement Vesting .

(a) *Notice of and Conditions to Post-Retirement Vesting* . If the Participant is Post-Retirement Eligible, the Company shall, within a reasonable period of time prior to the Participant’s Date of Termination, notify the Participant that the Participant has the right to continue to vest following the Date of Termination in any unvested installments of Covered Shares of the Stock Option (each such unvested installment, an “Installment”), provided that the Participant executes and delivers to the Company, with respect to each such Installment, the following documentation: (i) a non-disclosure letter agreement, in the form attached as Exhibit B, (a “Non-Disclosure Agreement”) on or before January 1 of the year in which such Installment vests pursuant to the Vesting Schedule (or, with respect to the calendar year in which the Date of Termination occurs, on or before the Date of Termination), and (ii) a compliance certificate, in the form attached as Exhibit C, (a “Compliance Certificate”) indicating the Participant’s full compliance with the Non-Disclosure Agreement on or before November 1 of the year in which such Installment vests pursuant to the Vesting Schedule.

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

The Agreements are not amended in any respect except as herein provided. This Amendment is not intended and shall not be construed as increasing the aggregate number of shares of Common Stock subject to the Stock Options under the Agreements.

All capitalized terms used in this Amendment shall have the same meaning ascribed to them in the Plan and the Agreements unless specifically denoted otherwise.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the day and year first above written.

“Company”	Devon Energy Corporation, a Delaware corporation
	By: ______________________
	Name: ______________________
	Title: ______________________
“Participant”	______________________

EXHIBIT A

Nonqualified Stock Option Award Agreements
Subject to Amendment

EXHIBIT B

Form of Non-Disclosure Agreement

[Insert Date]

Devon Energy Corporation
20 North Broadway
Oklahoma City, OK 73102

Re: Non-Disclosure Agreement

Ladies and Gentlemen:

This letter agreement is entered between Devon Energy Corporation (together with its subsidiaries and affiliates, the "Company") and the undersigned (the "Participant") in connection with that certain Amendment to Nonqualified Stock Option Award Agreements (the "Amendment") dated ____________, 2008 between the Company and the Participant. All capitalized terms used in this letter agreement shall have the same meaning ascribed to them in the Amendment unless specifically denoted otherwise.

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

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

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

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

This letter agreement shall become effective upon execution by the Participant and the Company and shall terminate on December 31, 200___. **[NOTE: Insert date that is the end of the calendar year of the letter agreement.]**

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

"PARTICIPANT"

____

[Name of Participant]

THE UNDERSIGNED HEREBY ACCEPTS AND AGREES TO THE TERMS SET FORTH ABOVE AS OF THIS ___ DAY OF __________, ___.

"COMPANY"

DEVON ENERGY CORPORATION

By: ______________________________________
Name: ______________________________________
Title: ______________________________________

EXHIBIT C

Form of Compliance Certificate

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

____

[Name of Participant]

Dated: ____________________

Exhibit 10.2

AMENDMENT TO RESTRICTED STOCK AWARD AGREEMENTS
UNDER THE
DEVON ENERGY CORPORATION 2005 LONG-TERM INCENTIVE PLAN

THIS AMENDMENT TO RESTRICTED STOCK AWARD AGREEMENTS (“Amendment”) is entered into as of the ___ day of ___________, 2008 by and between Devon Energy Corporation, a Delaware corporation (the “Company”), and ___________(the “Participant”).

W I T N E S S E T H:

WHEREAS, the Company and the Participant have previously entered into certain Restricted Stock Award Agreements under the Devon Energy Corporation 2005 Long-Term Incentive Plan listed on Exhibit A (the “Agreements”), which granted to the Participant shares of Common Stock of the Company (the “Restricted Stock”) in exchange for the Participant’s performance of future services for the Company subject to the terms and conditions of the Agreements; and

WHEREAS, the Company and the Participant desire to amend the Agreements with respect to vesting of the Restricted Stock following the date of retirement of the Participant under certain circumstances; and

WHEREAS, Section 12.7 of the Plan permits the Compensation Committee of the Company’s Board of Directors (the “Committee”) to amend the Agreements; and

WHEREAS, the Committee has approved the amendment of the Agreements as set forth herein.

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the parties hereto agree that the Agreements are hereby amended as follows:

1. The first sentence of the first paragraph of Section 3(b) is amended to read as follows:

   “Except as provided in this Section 3, if the Participant’s Date of Termination has not occurred as of the vesting dates specified below (the “Vesting Dates”), then, the Participant shall be entitled, subject to the applicable provisions of the Plan and this Agreement having been satisfied, to receive on or within a reasonable time after the applicable Vesting Dates, on a cumulative basis, the number of shares of Stock as described in the following schedule.”

2. The last sentence of the first paragraph of Section 3(b) is amended to read as follows:

   “The Participant shall forfeit the unvested portion of the Award (including the underlying Restricted Stock and “Accrued Dividends,” as such term is hereinafter defined) upon the occurrence of the Participant's Date of Termination unless the Award becomes vested under the circumstances described in Sections 3(b)(i), (ii), (iii) or (iv) below."

3. The first sentence of Section 3(b)(i) is hereby amended to read as follows:

"The Award shall become fully vested upon the occurrence of a Change of Control Event that occurs (i) prior to the Participant's Date of Termination or (ii) if the Participant has retired prior to such Change of Control Event and is Post-Retirement Eligible, following the Participant's Date of Termination."

4. Section 3 is hereby amended to delete from Section 3(b)(iii) the phrase "or Early Retirement Date (as such term is defined in the Company's Retirement Plan)."

5. Section 3(b) is hereby amended to add a Section 3(b)(iv):

"(iv) Notwithstanding any provision to the contrary in this Agreement, if the Participant is Post-Retirement Eligible, the Participant shall, subject to the satisfaction of the conditions in Section 14, be eligible to vest in accordance with the Vesting Schedule above in this Section 3, in the installments of Restricted Stock that remain unvested on the Date of Termination as follows:

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

6. Section 3 is hereby amended to add a Section 3(f):

"(f) Post-Retirement Eligible . For purposes of this Agreement, "Post-Retirement Eligible" means the Participant's Date of Termination occurs (i) by reason of the Participant's retirement and (ii) on or after the Participant has attained age fifty-five (55) with ten (10) or more Years of Service, as that term is defined in the Retirement Plan for Employees of Devon Energy Corporation (the "Retirement Plan")."

7. By adding a new Section 14 that provides as follows:

"14. Conditions to Post-Retirement Vesting .

(a) *Notice of and Conditions to Post- Retirement Vesting* . If the Participant is Post-Retirement Eligible, the Company shall, within a reasonable period of time prior to the Participant's Date of Termination, notify the Participant that the Participant has the right to continue to vest following the Date of Termination in any unvested installments of Restricted Stock (each such unvested installment, an "Installment"), provided that the Participant executes and delivers to the Company, with respect to each such Installment, the following documentation: (i) a non-disclosure letter agreement, in the form attached as Exhibit B, (a "Non-Disclosure Agreement") on or before January 1 of the year in which such Installment vests pursuant to the Vesting Schedule (or, with respect to the calendar year in which the Date of Termination occurs, on or before the Date of Termination), and (ii) a compliance certificate, in the form attached as Exhibit C, (a "Compliance Certificate") indicating the Participant's full compliance with the Non-Disclosure Agreement on or before November 1 of the year in which such Installment vests pursuant to the Vesting Schedule.

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

The Agreements are not amended in any respect except as herein provided. This Amendment is not intended and shall not be construed as increasing the aggregate number of shares of Common Stock granted under the Agreements.

All capitalized terms used in this Amendment shall have the same meaning ascribed to them in the Plan and the Agreements unless specifically denoted otherwise.

[SIGNATURES APPEAR ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the day and year first above written.

"Company"	Devon Energy Corporation, a Delaware corporation
	By: ______________________
	Name: ______________________
	Title: ______________________
"Participant"	______________________

EXHIBIT A

Restricted Stock Award Agreements
Subject to Amendment

EXHIBIT B

Form of Non-Disclosure Agreement

[Insert Date]

Devon Energy Corporation
20 North Broadway
Oklahoma City, OK 73102

Re: Non-Disclosure Agreement

Ladies and Gentlemen:

This letter agreement is entered between Devon Energy Corporation (together with its subsidiaries and affiliates, the "Company") and the undersigned (the "Participant") in connection with that certain Amendment to Restricted Stock Award Agreements (the "Amendment") dated ____________, 2008 between the Company and the Participant. All capitalized terms used in this letter agreement shall have the same meaning ascribed to them in the Amendment unless specifically denoted otherwise.

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

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

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

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

This letter agreement shall become effective upon execution by the Participant and the Company and shall terminate on December 31, 200_. **[Note: Insert date that is the end of the calendar year of the letter agreement.]**

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

"PARTICIPANT"

____

[Name of Participant]

THE UNDERSIGNED HEREBY ACCEPTS AND AGREES TO THE TERMS SET FORTH ABOVE AS OF THIS ___ DAY OF __________, ___.

"COMPANY"

DEVON ENERGY CORPORATION

By: ______________________________________
Name: ______________________________________
Title: ______________________________________

EXHIBIT C

Form of Compliance Certificate

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

____

[Name of Participant]

Dated: ____________________

Exhibit 10.3

NON-MANAGEMENT DIRECTOR
NONQUALIFIED STOCK OPTION AWARD AGREEMENT
UNDER THE
DEVON ENERGY CORPORATION
2005 LONG-TERM INCENTIVE PLAN

THIS NONQUALIFIED STOCK OPTION AGREEMENT (the "Award Agreement"), entered into as of **«Grant_Date»** (the "Grant Date"), by and between DEVON ENERGY CORPORATION (the "Company") and **«FirstName» «MiddleName» «LastName»** (the "Participant");

WITNESSETH:

WHEREAS, the Participant is a non-management Director of the Company, and it is important to the Company that the Participant be encouraged to remain a director of the Company; and

WHEREAS, in recognition of such facts, the Company desires to provide to the Participant an opportunity to purchase **«Shares»** shares of the common stock of the Company, as hereinafter provided, pursuant to the "Devon Energy Corporation 2005 Long-Term Incentive Plan", as amended and restated June 7, 2006 (the "Plan"), a copy of which is attached hereto; and

WHEREAS, any capitalized terms used but not defined herein have the same meanings given them in the Plan.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for good and valuable consideration, the Participant and the Company hereby agree as follows:

Section 1. *Definitions* . Words, terms, or phrases used in this Agreement shall have the meanings set forth in this Section 1:

(a) The Participant's "Date of Termination" means the first day occurring on or after the Grant Date on which the Participant is not a member of the Board.

(b) "Mandatory Retirement" means the Participant's mandatory retirement from the Board of Directors at the next annual meeting of shareholders following the date the Participant reaches his 73 rd birthday.

Section 2. *Grant of Stock Option* . The Company hereby grants to the Participant a nonqualified stock option (the "Stock Option") that is not intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), to purchase all or any part of the number of Covered Shares (as set forth on the Cover Page) of its common stock, par value $.10 (the "Stock"), under and subject to the terms and conditions of this Award Agreement and the Plan which is incorporated herein by reference and made a part hereof for all purposes. The purchase price for each share to be purchased hereunder shall be the option price set forth on the Cover Page (the "Exercise Price").

Section 3. *Times of Exercise of Stock Option* . The Stock Option shall be fully exercisable on and after the Grant Date.

Section 4. *Term of Stock Option* . The Stock Option shall cease to be exercisable on the earliest to occur of:

(a) The Expiration Date set forth on the Cover Page.

(b) The three-year anniversary of the Participant's Date of Termination.

(c) If the Participant's Date of Termination occurs by reason of the Participant's Mandatory Retirement, the Expiration Date set forth on the Cover Page.

Section 5. *Nontransferability of Stock Option* .

The Stock Option may be exercised during the lifetime of the Participant only by the Participant. More particularly (but without limiting the generality of the foregoing), the Stock Option shall not be assigned, transferred (except as provided above), pledged or hypothecated in any way whatsoever, shall not be assigned by operation of law and shall not be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of the Stock Option contrary to the provisions hereof shall be null and void and without effect. However, in the event of a Participant's death, the Stock Option may be transferred in accordance with the provisions of a Participant's will, the applicable laws of descent and distribution or, a beneficiary designation that is in a form approved by the Committee.

Section 6. *Method of Exercising Stock Option.*

(a) *Procedures for Exercise* . The manner of exercising the Stock Option herein granted shall be by written notice to the Secretary of the Company at the time the Stock Option, or part thereof, is to be exercised, and in any event prior to the expiration of the Stock Option. Such notice shall state the election to exercise the Stock Option, the number of shares of Stock to be purchased upon exercise, the form of payment to be used, and shall be signed by the person so exercising the Stock Option.

(b) *Form of Payment* . Payment of the full Exercise Price for shares of Stock purchased under this Award Agreement shall accompany the Participant's written notice of exercise, together with full payment for applicable withholding taxes, if any. Payment shall be made (i) in cash or by check, draft or money order payable to the order of the Company; (ii) by delivering shares of Common Stock having a Fair Market Value on the date of payment equal to the amount of the exercise price, but only to the extent such exercise of an Option would not result in a compensation expense to the Company for financial accounting purposes with respect to the shares used to pay the exercise price unless otherwise determined by the Committee; or (iii) a combination of the foregoing.

(c) *Further Information* . In the event the Stock Option is exercised, pursuant to the foregoing provisions of this Section 6, by any person other than the Participant due to the death of the Participant, written notice shall also be accompanied by appropriate proof of the right of such person to exercise the Stock Option. The notice so required shall be given by personal delivery to the Secretary of the Company or by registered or certified mail, addressed to the Company at 20 North Broadway, Oklahoma City, Oklahoma 73102-8260, Attention: Secretary, and it shall be deemed to have been given when it is so personally delivered or when it is so deposited in the United States mail in an envelope addressed to the Company, as aforesaid, properly stamped for delivery as a registered or certified letter.

Section 7. *Securities Law Restrictions* . The Stock Option shall be exercised and Stock issued only upon compliance with the Securities Act of 1933, as amended (the "Act"), and any other applicable securities law, or pursuant to an exemption therefrom. If deemed necessary by the Company to comply with the Act or any applicable laws or regulations relating to the sale of securities, the Participant, at the time of exercise and as a condition imposed by the Company, shall represent, warrant and agree that the shares of Stock subject to the Stock Option are being purchased for investment and not with any present intention to resell the same and without a view to distribution, and the Participant shall, upon the request of the Company, execute and deliver to the Company an agreement to such effect. The Participant acknowledges that any stock certificate representing Stock purchased under such circumstances will be issued with a restricted securities legend.

Section 8. *Notices* . All notices or other communications relating to the Plan and this Award Agreement as it relates to the Participant shall be in writing and shall be delivered personally or mailed (U.S. Mail) by the Company to the Participant at the then current address as maintained by the Company or such other address as the Participant may advise the Company in writing.

"COMPANY"	DEVON ENERGY CORPORATION a Delaware corporation
"PARTICIPANT"	«FirstName» «MiddleName» «Lastname» «Address1» «Address2» «City», «State» «Zip» ID: «ID»

Exhibit 10.4

NON-MANAGEMENT DIRECTOR
RESTRICTED STOCK AWARD AGREEMENT
UNDER THE
DEVON ENERGY CORPORATION
2005 LONG-TERM INCENTIVE PLAN

THIS AWARD AGREEMENT (the "Agreement") entered into as of the **«Grant_Date»** (the "Grant Date"), by and between Devon Energy Corporation (the "Company") and **«FirstName» «MiddleName» «Lastname»** (the "Participant");

WITNESSETH:

WHEREAS, the Company has previously adopted the "Devon Energy Corporation 2005 Long-Term Incentive Plan", as amended and restated June 7, 2006 (the "Plan"); and

WHEREAS, the Participant is a non-management Director of the Company and it is important to the Company that the Participant be encouraged to remain a Director of the Company; and

WHEREAS, in recognition of such facts, the Company desires to award to the Participant **«Shares»** shares of the Company common stock under the Plan subject to the terms and conditions of this Agreement; and

NOW, THEREFORE, in consideration of the premises and the mutual promises and covenants herein contained, the Participant and the Company agree as follows (all capitalized terms used herein, unless otherwise defined, have the meaning ascribed to such terms as set forth in the Plan):

1. Definitions . Words, terms, or phrases used in this Agreement shall have the meanings set forth in this section 1:

(a) The Participant's "Date of Termination" means the first day occurring on or after the Grant Date on which the Participant is not a member of the Board.

(b) "Mandatory Retirement" means the Participant's mandatory retirement from the Board of Directors at the next annual meeting of shareholders following the date the Participant reaches his 73 rd birthday.

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

3. Grant of Award . The Company hereby grants to the Participant an award (the "Award") of **«Shares»** shares of the Company Common Stock, par value $.10 (the "Stock"), on the terms and conditions set forth herein and in the Plan.

4. Terms of Award.

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

(b) Vesting . If the Participant’s Date of Termination has not occurred as of the vesting dates specified below (the “Vesting Dates”), then, the Participant shall be entitled, subject to the applicable provisions of the Plan and this Agreement having been satisfied, to receive on or within a reasonable time after the applicable Vesting Dates, on accumulative basis, the number of shares of Stock as described in the following schedule. Once vested pursuant to the terms of this Agreement, the Restricted Stock shall be deemed “Vested Stock”.

Vesting Schedule

Vesting Dates	Shares Vesting
«Vestdate1»	**«Vestshs1»**
«Vestdate2»	**«Vestshs2»**
«Vestdate3»	**«Vestshs3»**
«Vestdate4»	**«Vestshs4»**

The Participant shall forfeit the unvested portion of the Award (including the underlying Restricted Stock and “Accrued Dividends,” as such term is hereinafter defined) upon the occurrence of the Participant’s Date of Termination unless the Award becomes vested under the circumstances described in paragraphs (i), (ii) or (iii) below.

(i) The Award shall become fully vested upon the occurrence of a Change of Control Event which occurs prior to the Participant’s Date of Termination.

(ii) The Award shall become fully vested upon the Participant’s Date of Termination if the Participant’s Date of Termination occurs by reason of the Participant’s death. In the sole discretion of the Committee, the Award may become vested upon the Participant’s Date of Termination with respect to all or a portion of the shares as to which the Award was not vested immediately prior to such termination, if the Date of Termination occurs by reason of the Participant’s Disability or occurs under other special circumstances (as determined by the Committee).

(iii) The Award shall become fully vested upon the Participant’s Date of Termination if the Participant’s Date of Termination occurs by reason of the Participant’s Mandatory Retirement.

(c) Voting Rights and Dividends . The Participant shall have all of the voting rights attributable to the shares of Restricted Stock. Regular quarterly cash dividends declared and paid by the Company with respect to the shares of Restricted Stock shall be paid to the Participant. Any extraordinary dividends declared and paid by the Company with respect to shares of Restricted Stock (“Accrued Dividends”) shall not be paid to the Participant until such Restricted Stock becomes Vested Stock. Such Accrued Dividends shall be held by the Company as a general obligation and paid to the Participant at the time the underlying Restricted Stock becomes Vested Stock.

(d) Vested Stock – Removal of Restrictions . Upon Restricted Stock becoming Vested Stock, all restrictions shall be removed from the certificates or book-entry registrations representing such Stock and the Secretary of the Company shall deliver to the Participant certificates or a Direct Registration Statement for the book-entry registration, representing such Vested Stock free and clear of all restrictions, except for any applicable securities laws restrictions, together with a check in the amount of all Accrued Dividends attributed to such Vested Stock without interest thereon.

5. Legends . The shares of Stock which are the subject of the Award shall be subject to the following legend:

"THE SHARES OF STOCK EVIDENCED BY THIS CERTIFICATE OR BOOK-ENTRY REGISTRATION ARE SUBJECT TO AND ARE TRANSFERRABLE ONLY IN ACCORDANCE WITH THAT CERTAIN AWARD AGREEMENT FOR DEVON ENERGY CORPORATION 2005 LONG-TERM INCENTIVE PLAN DATED **«Grant_Date»** . ANY ATTEMPTED TRANSFER OF THE SHARES OF STOCK EVIDENCED BY THIS CERTIFICATE OR BOOK-ENTRY REGISTRATION IN VIOLATION OF SUCH AGREEMENT SHALL BE NULL AND VOID AND WITHOUT EFFECT. A COPY OF THE AGREEMENT MAY BE OBTAINED FROM THE SECRETARY OF DEVON ENERGY CORPORATION."

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

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

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

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

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

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

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

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the day and year first above written.

“COMPANY”	DEVON ENERGY CORPORATION a Delaware corporation
“PARTICIPANT”	«FirstName» «MiddleName» «Lastname» «Address1» «Address2» «City», «State» «Zip» ID: «ID»

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

I, J. Larry Nichols, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 6, 2008

/s/ J. Larry Nichols
J. Larry Nichols
Chief Executive Officer

Exhibit 31.2

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

I, Danny J. Heatly certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: August 6, 2008

/s/ Danny J. Heatly
Danny J. Heatly
Vice President – Accounting and Chief Accounting Officer

Exhibit 32.1

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

In connection with the Report of Devon Energy Corporation (“Devon”) on Form 10-Q for the period ended June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, J. Larry Nichols, Chief Executive Officer of Devon, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ J. Larry Nichols

J. Larry Nichols
Chief Executive Officer
August 6, 2008

Exhibit 32.2

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

In connection with the Report of Devon Energy Corporation (“Devon”) on Form 10-Q for the period ended June 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Danny J. Heatly, Vice President – Accounting and Chief Accounting Officer of Devon, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ Danny J. Heatly
Danny J. Heatly
Vice President – Accounting and Chief Accounting Officer
August 6, 2008