

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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2020

or

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

Commission File Number 001-32318



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

Delaware  
(State or other jurisdiction of  
incorporation or organization)

333 West Sheridan Avenue, Oklahoma City, Oklahoma  
(Address of principal executive offices)

73-1567067  
(I.R.S. Employer  
identification No.)

73102-5015  
(Zip code)

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

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

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.10 per share	DVN	The New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>	Non-accelerated filer	<input type="checkbox"/>
Smaller reporting company	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

On April 22, 2020, 382.7 million shares of common stock were outstanding.

DEVON ENERGY CORPORATION

FORM 10-Q

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## DEFINITIONS

Unless the context otherwise indicates, references to “us,” “we,” “our,” “ours,” “Devon,” the “Company” and “Registrant” refer to Devon Energy Corporation and its consolidated subsidiaries. All monetary values, other than per unit and per share amounts, are stated in millions of U.S. dollars unless otherwise specified. In addition, the following are other abbreviations and definitions of certain terms used within this Quarterly Report on Form 10-Q:

“ASC” means Accounting Standards Codification.

“ASR” means an accelerated share-repurchase transaction with a financial institution to repurchase Devon’s common stock.

“ASU” means Accounting Standards Update.

“Bbl” or “Bbbls” means barrel or barrels.

“BKV” means Banpu Kalnin Ventures.

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

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

“Canada” means the division of Devon encompassing oil and gas properties located in Canada. On June 27, 2019, all of Devon’s Canadian operating assets and operations were divested. All dollar amounts associated with Canada are in U.S. dollars, unless stated otherwise.

“DD&A” means depreciation, depletion and amortization expenses.

“Devon Plan” means Devon Energy Corporation Incentive Savings Plan.

“E&P” means exploration and production activities.

“FASB” means Financial Accounting Standards Board.

“G&A” means general and administrative expenses.

“GAAP” means U.S. generally accepted accounting principles.

“Inside FERC” refers to the publication *Inside FERC’s Gas Market Report*.

“LOE” means lease operating expenses.

“MBbbls” means thousand barrels.

“MBoe” means thousand Boe.

“Mcf” means thousand cubic feet.

“MMBoe” means million Boe.

“MMBtu” means million Btu.

“MMcf” means million cubic feet.

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“N/M” means not meaningful.

“NGL” or “NGLs” means natural gas liquids.

“NYMEX” means New York Mercantile Exchange.

“OPEC” means Organization of the Petroleum Exporting Countries.

“OPIS” means Oil Price Information Service.

“SEC” means United States Securities and Exchange Commission.

“Senior Credit Facility” means Devon’s syndicated unsecured revolving line of credit, effective as of October 5, 2018.

“TSR” means total shareholder return.

“U.S.” means United States of America.

“VIE” means variable interest entity.

“WTI” means West Texas Intermediate.

“/Bbl” means per barrel.

“/d” means per day.

“/MMBtu” means per MMBtu.

## INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This report includes “forward-looking statements” as defined by the SEC. Such statements include those concerning strategic plans, our expectations and objectives for future operations, as well as other future events or conditions, and are often identified by use of the words and phrases “expects,” “believes,” “will,” “would,” “could,” “continue,” “may,” “aims,” “likely to be,” “intends,” “forecasts,” “projections,” “estimates,” “plans,” “expectations,” “targets,” “opportunities,” “potential,” “anticipates,” “outlook” and other similar terminology. All statements, other than statements of historical facts, included in this report that address activities, events or developments that Devon expects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond our control. Consequently, actual future results could differ materially from our expectations due to a number of factors, including, but not limited to those, identified below.

The COVID-19 pandemic and its related repercussions have created significant volatility, uncertainty and turmoil in the global economy and our industry. This turmoil has included an unprecedented supply-and-demand imbalance for oil and other commodities, resulting in a swift and material decline in commodity prices in early 2020. Our future actual results could differ materially from the forward-looking statements in this report due to the COVID-19 pandemic and related impacts, including, among other things: contributing to a sustained or further deterioration in commodity prices; causing takeaway capacity constraints for production, resulting in production shut-ins and additional downward pressure on impacted regional pricing differentials; limiting our ability to access sources of capital due to disruptions in financial markets; increasing the risk of a downgrade from credit rating agencies; exacerbating counterparty credit risks and the risk of supply chain interruptions; and increasing the risk of operational disruptions due to social distancing measures and other changes to business practices.

In addition to the risks associated with the COVID-19 pandemic and its related impacts, our actual future results could differ materially from our expectations due to other factors, including, among other things:

- the volatility of oil, gas and NGL prices;
- uncertainties inherent in estimating oil, gas and NGL reserves;
- the extent to which we are successful in acquiring and discovering additional reserves;
- the uncertainties, costs and risks involved in our operations, including as a result of employee misconduct;
- regulatory restrictions, compliance costs and other risks relating to governmental regulation, including with respect to environmental matters;
- risks related to regulatory, social and market efforts to address climate change;
- risks related to our hedging activities;
- counterparty credit risks;
- risks relating to our indebtedness;
- cyberattack risks;
- our limited control over third parties who operate some of our oil and gas properties;
- midstream capacity constraints and potential interruptions in production;
- the extent to which insurance covers any losses we may experience;
- competition for assets, materials, people and capital;
- risks related to investors attempting to effect change;
- our ability to successfully complete mergers, acquisitions and divestitures; and
- any of the other risks and uncertainties discussed in this report, our [2019 Annual Report on Form 10-K](#) and our other filings with the SEC.

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

## Part I. Financial Information

## Item 1. Financial Statements

**DEVON ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS**

	Three Months Ended March 31,	
	2020	2019
	(Unaudited)	
Upstream revenues	\$ 1,527	\$ 314
Marketing and midstream revenues	560	765
Total revenues	<u>2,087</u>	<u>1,079</u>
Production expenses	318	283
Exploration expenses	112	4
Marketing and midstream expenses	578	750
Depreciation, depletion and amortization	401	360
Asset impairments	2,666	—
Asset dispositions	—	(45)
General and administrative expenses	102	135
Financing costs, net	65	60
Restructuring and transaction costs	—	51
Other expenses	(48)	(22)
Total expenses	<u>4,194</u>	<u>1,576</u>
Loss from continuing operations before income taxes	(2,107)	(497)
Income tax benefit	(417)	(119)
Net loss from continuing operations	(1,690)	(378)
Net earnings (loss) from discontinued operations, net of income taxes	(125)	61
Net loss	(1,815)	(317)
Net earnings attributable to noncontrolling interests	1	—
Net loss attributable to Devon	<u>\$ (1,816)</u>	<u>\$ (317)</u>
Basic net earnings (loss) per share:		
Basic loss from continuing operations per share	\$ (4.48)	\$ (0.89)
Basic earnings (loss) from discontinued operations per share	(0.34)	0.15
Basic net loss per share	<u>\$ (4.82)</u>	<u>\$ (0.74)</u>
Diluted net earnings (loss) per share:		
Diluted loss from continuing operations per share	\$ (4.48)	\$ (0.89)
Diluted earnings (loss) from discontinued operations per share	(0.34)	0.15
Diluted net loss per share	<u>\$ (4.82)</u>	<u>\$ (0.74)</u>
Comprehensive earnings (loss):		
Net loss	\$ (1,815)	\$ (317)
Other comprehensive earnings, net of tax:		
Foreign currency translation, discontinued operations	—	35
Pension and postretirement plans	1	2
Other comprehensive earnings, net of tax	<u>1</u>	<u>37</u>
Comprehensive loss:	(1,814)	(280)
Comprehensive earnings attributable to noncontrolling interests	1	—
Comprehensive loss attributable to Devon	<u>\$ (1,815)</u>	<u>\$ (280)</u>

See accompanying notes to consolidated financial statements

**DEVON ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Three Months Ended March 31,	
	2020	2019
	(Unaudited)	
Cash flows from operating activities:		
Net loss	\$ (1,815)	\$ (317)
Adjustments to reconcile net loss to net cash from operating activities:		
Net (earnings) loss from discontinued operations, net of income taxes	125	(61)
Depreciation, depletion and amortization	401	360
Asset impairments	2,666	—
Leasehold impairments	110	1
Accretion on discounted liabilities	8	9
Total (gains) losses on commodity derivatives	(720)	605
Cash settlements on commodity derivatives	101	31
Gains on asset dispositions	—	(45)
Deferred income tax benefit	(311)	(115)
Share-based compensation	20	44
Other	—	(14)
Changes in assets and liabilities, net	(56)	(61)
Net cash from operating activities - continuing operations	529	437
Cash flows from investing activities:		
Capital expenditures	(425)	(490)
Acquisitions of property and equipment	(4)	(10)
Divestitures of property and equipment	25	310
Net cash from investing activities - continuing operations	(404)	(190)
Cash flows from financing activities:		
Repayments of long-term debt	—	(162)
Repurchases of common stock	(38)	(999)
Dividends paid on common stock	(34)	(34)
Contributions from noncontrolling interests	5	—
Distributions to noncontrolling interests	(3)	—
Shares exchanged for tax withholdings	(17)	(19)
Net cash from financing activities - continuing operations	(87)	(1,214)
Net change in cash, cash equivalents and restricted cash of continuing operations	38	(967)
Cash flows from discontinued operations:		
Operating activities	(131)	(59)
Investing activities	(1)	(59)
Financing activities	—	(7)
Effect of exchange rate changes on cash	(23)	1
Net change in cash, cash equivalents and restricted cash of discontinued operations	(155)	(124)
Net change in cash, cash equivalents and restricted cash	(117)	(1,091)
Cash, cash equivalents and restricted cash at beginning of period	1,844	2,446
Cash, cash equivalents and restricted cash at end of period	\$ 1,727	\$ 1,355
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 1,527	\$ 1,327
Cash restricted for discontinued operations	200	—
Restricted cash included in other current assets	—	28
Total cash, cash equivalents and restricted cash	\$ 1,727	\$ 1,355

See accompanying notes to consolidated financial statements

**DEVON ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

	<u>March 31, 2020</u> (Unaudited)	<u>December 31, 2019</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,527	\$ 1,464
Cash restricted for discontinued operations	200	380
Accounts receivable	594	832
Current assets associated with discontinued operations	736	896
Other current assets	998	279
Total current assets	4,055	3,851
Oil and gas property and equipment, based on successful efforts accounting, net	4,756	7,558
Other property and equipment, net (\$89 and \$80 million related to CDM in 2020 and 2019, respectively)	1,024	1,035
Total property and equipment, net	5,780	8,593
Goodwill	753	753
Right-of-use assets	237	243
Other long-term assets	245	196
Long-term assets associated with discontinued operations	74	81
Total assets	<u>\$ 11,144</u>	<u>\$ 13,717</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 444	\$ 428
Revenues and royalties payable	617	730
Current liabilities associated with discontinued operations	294	459
Other current liabilities	199	310
Total current liabilities	1,554	1,927
Long-term debt	4,295	4,294
Lease liabilities	245	244
Asset retirement obligations	386	380
Other long-term liabilities	461	426
Long-term liabilities associated with discontinued operations	163	185
Deferred income taxes	—	341
Stockholders' equity:		
Common stock, \$0.10 par value. Authorized 1.0 billion shares; issued 383 million and 382 million shares in 2020 and 2019, respectively	38	38
Additional paid-in capital	2,701	2,735
Retained earnings	1,298	3,148
Accumulated other comprehensive loss	(118)	(119)
Total stockholders' equity attributable to Devon	3,919	5,802
Noncontrolling interests	121	118
Total equity	4,040	5,920
Total liabilities and equity	<u>\$ 11,144</u>	<u>\$ 13,717</u>

See accompanying notes to consolidated financial statements



**DEVON ENERGY CORPORATION AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF EQUITY**

	Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Other Comprehensive Earnings (Loss)	Treasury Stock	Noncontrolling Interests	Total Equity
	Shares	Amount						
(Unaudited)								
<b>Three Months Ended March 31, 2020</b>								
Balance as of December 31, 2019	382	\$ 38	\$ 2,735	\$ 3,148	\$ (119)	\$ —	\$ 118	\$ 5,920
Net earnings (loss)	—	—	—	(1,816)	—	—	1	(1,815)
Other comprehensive earnings, net of tax	—	—	—	—	1	—	—	1
Restricted stock grants, net of cancellations	3	—	—	—	—	—	—	—
Common stock repurchased	—	—	—	—	—	(54)	—	(54)
Common stock retired	(3)	—	(54)	—	—	54	—	—
Common stock dividends	—	—	—	(34)	—	—	—	(34)
Share-based compensation	1	—	20	—	—	—	—	20
Contributions from noncontrolling interests	—	—	—	—	—	—	5	5
Distributions to noncontrolling interests	—	—	—	—	—	—	(3)	(3)
Balance as of March 31, 2020	<u>383</u>	<u>\$ 38</u>	<u>\$ 2,701</u>	<u>\$ 1,298</u>	<u>\$ (118)</u>	<u>\$ —</u>	<u>\$ 121</u>	<u>\$ 4,040</u>
<b>Three Months Ended March 31, 2019</b>								
Balance as of December 31, 2018	450	\$ 45	\$ 4,486	\$ 3,650	\$ 1,027	\$ (22)	\$ —	\$ 9,186
Effect of adoption of lease accounting	—	—	—	(19)	—	—	—	(19)
Net loss	—	—	—	(317)	—	—	—	(317)
Other comprehensive earnings, net of tax	—	—	—	—	37	—	—	37
Restricted stock grants, net of cancellations	3	—	—	—	—	—	—	—
Common stock repurchased	—	—	—	—	—	(1,042)	—	(1,042)
Common stock retired	(36)	(3)	(1,014)	—	—	1,017	—	—
Common stock dividends	—	—	—	(34)	—	—	—	(34)
Share-based compensation	—	—	46	—	—	—	—	46
Balance as of March 31, 2019	<u>417</u>	<u>\$ 42</u>	<u>\$ 3,518</u>	<u>\$ 3,280</u>	<u>\$ 1,064</u>	<u>\$ (47)</u>	<u>\$ —</u>	<u>\$ 7,857</u>

See accompanying notes to consolidated financial statements

**DEVON ENERGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
(Unaudited)

**1. Summary of Significant Accounting Policies**

The accompanying unaudited interim financial statements and notes of Devon have been prepared pursuant to the rules and regulations of the SEC. Pursuant to such rules and regulations, certain disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been omitted. The accompanying unaudited interim financial statements and notes should be read in conjunction with the financial statements and notes included in Devon's [2019 Annual Report on Form 10-K](#).

The accompanying unaudited interim financial statements in this report reflect all adjustments that are, in the opinion of management, necessary for a fair statement of Devon's results of operations and cash flows for the three-month periods ended March 31, 2020 and 2019 and Devon's financial position as of March 31, 2020. As further discussed in [Note 17](#), Devon reached an agreement to sell its Barnett Shale assets in December 2019, which was amended in April 2020, and sold its Canadian operations on June 27, 2019. Activity relating to Devon's Barnett Shale assets, inclusive of properties divested as partial sales of the Barnett Shale common operating field in previous reporting periods located primarily in Johnson and Wise counties, Texas, and its Canadian operations are classified as discontinued operations within Devon's consolidated statements of comprehensive earnings and consolidated statements of cash flows. The associated assets and liabilities of Devon's Barnett Shale assets and Canadian operations are presented as assets and liabilities associated with discontinued operations on the consolidated balance sheets.

During the fourth quarter of 2019, Devon entered into an agreement to form Cotton Draw Midstream, L.L.C. ("CDM"), a joint-venture entity in the Delaware Basin with an affiliate of QL Capital Partners, LP ("QLCP"). Devon holds a controlling interest in CDM and the portions of CDM's net earnings and equity not attributable to Devon's controlling interest are shown separately as noncontrolling interests in the accompanying consolidated statements of comprehensive earnings and consolidated balance sheets. CDM is considered a VIE to Devon. The assets of CDM cannot be used by Devon for general corporate purposes and are included in and disclosed parenthetically on Devon's consolidated balance sheets. The carrying amount of liabilities related to CDM for which the creditors do not have recourse to Devon's assets are also included in, and disclosed parenthetically, on Devon's consolidated balance sheets if material.

**Disaggregation of Revenue**

The following table presents revenue from contracts with customers that are disaggregated based on the type of good or service.

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
Oil	\$ 662	\$ 659
Gas	70	138
NGL	75	122
Oil, gas and NGL revenues from contracts with customers	807	919
Oil, gas and NGL derivatives	720	(605)
Upstream revenues	1,527	314
Oil	329	356
Gas	92	218
NGL	137	191
Total marketing revenues	558	765
Midstream revenues	2	—
Total marketing and midstream revenues from contracts with customers	560	765
Total revenues	\$ 2,087	\$ 1,079

**DEVON ENERGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**  
**(Unaudited)**

***Recently Adopted Accounting Standards***

In 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses*. This ASU changes the impairment model for trade receivables, held-to-maturity debt securities, net investments in leases, loans and other financial assets measured at amortized cost from the current “incurred loss” model to a new forward-looking “expected loss” model. Devon adopted this ASU in the first quarter of 2020 using the modified retrospective approach. Devon assesses credit risk by class of account type which includes cash equivalents and oil and gas, marketing and midstream, joint interest and other accounts receivable. These classes are then further evaluated using a probability weighted scenario assessment based on historical losses and a probability of future default. This evaluation is supported by an assessment of risk factors such as the age of receivable, current macro-economic conditions, credit rating of the counterparty and our historical loss rate. This adoption did not have a material impact on Devon’s consolidated financial statements.

**2. Divestitures**

***Discontinued Operations – Upstream Assets***

In June 2019, Devon completed the sale of substantially all of its oil and gas assets and operations in Canada to Canadian Natural Resources Limited for proceeds, net of purchase price adjustments, of \$2.6 billion (\$3.4 billion Canadian dollars), and recognized a pre-tax gain of \$223 million (\$425 million, net of tax, primarily due to a significant deferred tax benefit). Additional information can be found in [Note 17](#).

Devon announced the sale of its Barnett Shale assets to BKV in December 2019 and subsequently amended the agreement in April 2020. Under the amended terms, Devon has agreed to sell its Barnett Shale assets for \$570 million in cash, before purchase price adjustments, at closing, which was extended to December 31, 2020. Devon recognized a \$748 million asset impairment related to these assets in the fourth quarter of 2019 and an incremental \$179 million asset impairment during the first quarter of 2020. Additional information can be found in [Note 17](#).

***Continuing Operations – Upstream Assets***

During the first quarter of 2020, Devon entered into a farmout agreement in which the third-party to the agreement can participate in the development of certain Devon-owned non-operated interests in the Delaware Basin. Under the agreement, Devon will periodically transfer working interests to the third party, who will then fund its share of operating and development costs. Once certain investment hurdles are met, a portion of the working interest held by the third party will revert back to Devon. No material activity occurred during the first quarter of 2020.

In the first quarter of 2019, Devon received proceeds of approximately \$300 million and recognized a \$45 million net gain on asset dispositions, primarily from sales of non-core assets in the Permian Basin. In aggregate, the total estimated proved reserves associated with these divested assets were approximately 25 MMBoe.

**3. Derivative Financial Instruments**

***Objectives and Strategies***

Devon enters into derivative financial instruments with respect to a portion of its oil, gas and NGL production to hedge future prices received. Additionally, Devon periodically enters into derivative financial instruments with respect to a portion of its oil, gas and NGL marketing activities. These commodity derivative financial instruments include financial price swaps, basis swaps and costless price collars. Devon periodically enters into interest rate swaps to manage its exposure to interest rate volatility. As of March 31, 2020, Devon did not have any open interest rate swap contracts.

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

***Counterparty Credit Risk***

By using derivative financial instruments, Devon is exposed to credit risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. To mitigate this risk, the hedging instruments are placed with a number of

**DEVON ENERGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**  
**(Unaudited)**

counterparties whom Devon believes are acceptable credit risks. It is Devon's policy to enter into derivative contracts only with investment-grade rated counterparties deemed by management to be competent and competitive market makers. Additionally, Devon's derivative contracts generally contain provisions that provide for collateral payments if Devon's or its counterparty's credit rating falls below certain credit rating levels. As of March 31, 2020, Devon neither held cash collateral of its counterparties nor posted collateral to its counterparties.

**Commodity Derivatives**

As of March 31, 2020, Devon had the following open oil derivative positions. The first table presents Devon's oil derivatives that settle against the average of the prompt month NYMEX WTI futures price. The second table presents Devon's oil derivatives that settle against the respective indices noted within the table.

Period	Price Swaps		Price Collars		
	Volume (Bbls/d)	Weighted Average Price (\$/Bbl)	Volume (Bbls/d)	Weighted Average Floor Price (\$/Bbl)	Weighted Average Ceiling Price (\$/Bbl)
Q2-Q4 2020	82,207	\$ 36.87	50,449	\$ 51.11	\$ 61.14
Q1-Q4 2021	11,649	\$ 36.77	15,964	\$ 41.24	\$ 51.24

Period	Index	Oil Basis Swaps	
		Volume (Bbls/d)	Weighted Average Differential to WTI (\$/Bbl)
Q2-Q4 2020	Argus MEH	50,916	\$ 0.45
Q2-Q4 2020	Midland Sweet	31,782	\$ (1.23)
Q2-Q4 2020	NYMEX Roll	52,676	\$ 0.38
Q1-Q4 2021	Midland Sweet	7,000	\$ 1.27

As of March 31, 2020, Devon had the following open natural gas derivative positions. The first table presents Devon's natural gas derivatives that settle against the Inside FERC first of the month Henry Hub index. The second table presents Devon's natural gas derivatives that settle against the respective indices noted within the table.

Period	Price Swaps		Price Collars		
	Volume (MMBtu/d)	Weighted Average Price (\$/MMBtu)	Volume (MMBtu/d)	Weighted Average Floor Price (\$/MMBtu)	Weighted Average Ceiling Price (\$/MMBtu)
Q2-Q4 2020	65,396	\$ 2.75	171,418	\$ 1.89	\$ 2.37
Q1-Q4 2021	—	\$ —	22,438	\$ 2.06	\$ 2.56

Period	Index	Natural Gas Basis Swaps	
		Volume (MMBtu/d)	Weighted Average Differential to Henry Hub (\$/MMBtu)
Q2-Q4 2020	Panhandle Eastern Pipe Line	30,000	\$ (0.47)
Q2-Q4 2020	El Paso Natural Gas	65,000	\$ (0.78)
Q2-Q4 2020	Houston Ship Channel	30,000	\$ (0.02)
Q1-Q4 2021	El Paso Natural Gas	35,000	\$ (0.92)

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As of March 31, 2020, Devon had the following open NGL derivative positions. Devon's NGL positions settle against the average of the prompt month OPIS Mont Belvieu, Texas index.

Period	Product	Price Swaps	
		Volume (Bbls/d)	Weighted Average Price (\$/Bbl)
Q2-Q4 2020	Ethane	9,982	\$ 5.62
Q2-Q4 2020	Natural Gasoline	1,000	\$ 44.84
Q2-Q4 2020	Normal Butane	1,500	\$ 23.56
Q2-Q4 2020	Propane	4,500	\$ 25.18

**Financial Statement Presentation**

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

	Three Months Ended March 31,	
	2020	2019
Commodity derivatives:		
Upstream revenues	\$ 720	\$ (605)
Marketing and midstream revenues	—	1
Net gains (losses) recognized	\$ 720	\$ (604)

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

	March 31, 2020		December 31, 2019	
Commodity derivative assets:				
Other current assets	\$ 616	\$ 49		
Other long-term assets	27	1		
Total derivative assets	\$ 643	\$ 50		
Commodity derivative liabilities:				
Other current liabilities	\$ —	\$ 30		
Other long-term liabilities	5	1		
Total derivative liabilities	\$ 5	\$ 31		

**DEVON ENERGY CORPORATION AND SUBSIDIARIES**  
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**4. Share-Based Compensation**

The table below presents the share-based compensation expense included in Devon's accompanying consolidated statements of comprehensive earnings. The vesting for certain share-based awards was accelerated in conjunction with the reduction of workforce described in [Note 6](#) and is included in restructuring and transaction costs in the accompanying consolidated statements of comprehensive earnings.

	Three Months Ended March 31st,	
	2020	2019
G&A	\$ 20	\$ 23
Restructuring and transaction costs	—	22
<b>Total</b>	<b>\$ 20</b>	<b>\$ 45</b>
Related income tax benefit	\$ —	\$ 9

Under its approved long-term incentive plan, Devon granted share-based awards to certain employees in the first three months of 2020. The following table presents a summary of Devon's unvested restricted stock awards, performance-based restricted stock awards and performance share units granted under the plan.

	Restricted Stock Awards		Performance-Based Restricted Stock Awards		Performance Share Units	
	Awards	Weighted Average Grant-Date Fair Value	Awards	Weighted Average Grant-Date Fair Value	Units	Weighted Average Grant-Date Fair Value
	(Thousands, except fair value data)					
Unvested at 12/31/19	4,984	\$ 29.65	153	\$ 33.88	2,155	\$ 40.35
Granted	2,865	\$ 22.54	—	\$ —	688	\$ 27.89
Vested	(1,733)	\$ 29.42	(105)	\$ 29.12	(455)	\$ 52.56
Forfeited	(29)	\$ 28.05	—	\$ —	(304)	\$ 52.56
<b>Unvested at 3/31/20</b>	<b>6,087</b>	<b>\$ 26.37</b>	<b>48</b>	<b>\$ 44.12</b>	<b>2,084</b>	<b>(1) \$ 31.79</b>

(1) A maximum of 4.2 million common shares could be awarded based upon Devon's final TSR ranking.

The following table presents the assumptions related to the performance share units granted in 2020, as indicated in the previous summary table.

	2020
Grant-date fair value	\$ 27.89
Risk-free interest rate	1.36%
Volatility factor	38.4%
Contractual term (years)	2.89

The following table presents a summary of the unrecognized compensation cost and the related weighted average recognition period associated with unvested awards and units as of March 31, 2020.

	Restricted Stock Awards		Performance-Based Restricted Stock Awards		Performance Share Units	
Unrecognized compensation cost	\$ 120	\$ —	\$ —	\$ —	\$ 25	\$ 25
Weighted average period for recognition (years)	2.9	—	1.2	—	1.8	1.8

**DEVON ENERGY CORPORATION AND SUBSIDIARIES**  
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**5. Asset Impairments**

The following table presents a summary of Devon’s asset impairments. Unproved impairments shown below are included in exploration expenses in the consolidated statements of comprehensive earnings.

	Three Months Ended March 31,	
	2020	2019
Proved oil and gas assets	\$ 2,664	\$ —
Other assets	2	—
Total asset impairments	<u>\$ 2,666</u>	<u>\$ —</u>
Unproved impairments	<u>\$ 110</u>	<u>\$ 1</u>

***Proved Oil and Gas and Other Asset Impairments***

Reduced demand from the COVID-19 pandemic caused an unprecedented downturn in the price of oil. As a result, Devon reduced planned 2020 capital investment by 45%. With materially lower commodity prices and reduced near-term investment, Devon assessed all of its oil and gas fields for impairment as of March 31, 2020. For impairment determinations, Devon historically utilized NYMEX forward strip prices for the first five years and applied internally generated price forecasts for subsequent years. In response to the COVID-19 pandemic, the NYMEX forward market became highly illiquid as evidenced by materially reduced trading volumes for periods beyond 2021. Therefore, Devon supplemented the NYMEX forward strip prices with price forecasts published by reputable investment banks and reservoir engineering firms to estimate future revenues as of March 31, 2020. To measure indicated impairments, Devon used a market-based weighted-average cost of capital to discount the future net cash flows.

Devon recognized approximately \$2.7 billion of proved asset impairments during the first three months of 2020. These impairments related to the Anadarko Basin and Rockies fields in which the cost basis included acquisitions completed in 2016 and 2015, respectively, when commodity prices were much higher than they are today. In the first quarter of 2020, Devon recognized \$2 million of product line fill impairments.

***Unproved Impairments***

Due to the recent downturn in the commodity price environment and reduced near-term investment as discussed above, Devon also recognized \$110 million of unproved impairments during the first three months of 2020, primarily in the Rockies field. During the first three months of 2019, Devon allowed certain non-core acreage to expire without plans for development resulting in unproved impairments of \$1 million.

**6. Restructuring and Transaction Costs**

During the first quarter of 2019, Devon announced workforce reductions and other initiatives designed to enhance its operational focus and cost structure in conjunction with the portfolio transformation announcement further discussed in [Note 2](#). As a result, Devon recognized \$51 million of restructuring expenses during the first three months of 2019. Of these expenses, \$22 million resulted from accelerated vesting of share-based grants, which are noncash charges.

**DEVON ENERGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**  
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The following table summarizes Devon’s restructuring liabilities.

	Other Current Liabilities	Other Long-term Liabilities (Millions)	Total
Balance as of December 31, 2019	\$ 20	\$ 1	\$ 21
Changes related to prior years' restructurings	(9)	—	(9)
Balance as of March 31, 2020	<u>\$ 11</u>	<u>\$ 1</u>	<u>\$ 12</u>
Balance as of December 31, 2018	\$ 39	\$ 3	\$ 42
Changes related to prior years' restructurings	12	(2)	10
Balance as of March 31, 2019	<u>\$ 51</u>	<u>\$ 1</u>	<u>\$ 52</u>

**7. Income Taxes**

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

	Three Months Ended March 31,	
	2020	2019
Loss from continuing operations before income taxes	\$ (2,107)	\$ (497)
Current income tax benefit	\$ (106)	\$ (4)
Deferred income tax benefit	(311)	(115)
Total income tax benefit	<u>\$ (417)</u>	<u>\$ (119)</u>
U.S. statutory income tax rate	21%	21%
State income taxes	1%	6%
Change in tax legislation	5%	0%
Other	(3%)	(3%)
Deferred tax asset valuation allowance	(4%)	0%
Effective income tax rate	<u>20%</u>	<u>24%</u>

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

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) became law on March 27, 2020. The CARES Act allows net operating losses generated in taxable years beginning after December 31, 2017 and before January 1, 2021 to be carried back five years to offset taxable income and generate a refund. Devon intends to carry net operating losses generated in 2019 and 2020 back to 2014 and 2015, respectively. As a result, Devon recorded a \$96 million income tax benefit in Q1 2020, and expects to record an additional \$9 million income tax benefit by the end of the year.

Throughout 2019, Devon maintained a valuation allowance against certain deferred tax assets, including certain tax credits and state net operating losses. Since then, reduced demand from the COVID-19 pandemic has caused an unprecedented downturn in the commodity price environment. As a result, Devon recorded significant impairments during the first quarter of 2020 and is now in a net deferred tax asset position. Devon reassessed its position and recorded a 100% valuation allowance against all net deferred tax assets as of March 31, 2020, increasing its valuation allowance by \$108 million.

Included in “other” in the table above is the impact of increasing Devon’s unrecognized tax benefits by approximately \$34 million during the first quarter of 2020.



**DEVON ENERGY CORPORATION AND SUBSIDIARIES**  
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**8. Net Earnings (Loss) Per Share from Continuing Operations**

The following table reconciles net earnings (loss) from continuing operations and weighted-average common shares outstanding used in the calculations of basic and diluted net earnings (loss) per share from continuing operations.

	Three Months Ended March 31,	
	2020	2019
Net loss from continuing operations:		
Net loss from continuing operations	\$ (1,691)	\$ (378)
Attributable to participating securities	(1)	—
Basic and diluted loss from continuing operations	<u>\$ (1,692)</u>	<u>\$ (378)</u>
Common shares:		
Common shares outstanding - total	383	434
Attributable to participating securities	(6)	(6)
Common shares outstanding - basic and diluted	<u>377</u>	<u>428</u>
Net loss per share from continuing operations:		
Basic	\$ (4.48)	\$ (0.89)
Diluted	\$ (4.48)	\$ (0.89)
Antidilutive options (1)	—	1

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

**9. Other Comprehensive Earnings (Loss)**

Components of other comprehensive earnings (loss) consist of the following:

	Three Months Ended March 31,	
	2020	2019
Foreign currency translation:		
Beginning accumulated foreign currency translation and other	\$ —	\$ 1,159
Change in cumulative translation adjustment	—	35
Ending accumulated foreign currency translation and other	—	1,194
Pension and postretirement benefit plans:		
Beginning accumulated pension and postretirement benefits	(119)	(132)
Recognition of net actuarial loss and prior service cost in earnings (1)	2	3
Income tax expense	(1)	(1)
Ending accumulated pension and postretirement benefits	<u>(118)</u>	<u>(130)</u>
Accumulated other comprehensive earnings (loss), net of tax	<u>\$ (118)</u>	<u>\$ 1,064</u>

(1) These accumulated other comprehensive earnings components are included in the computation of net periodic benefit cost, which is a component of other expenses in the accompanying consolidated statements of comprehensive earnings.

**DEVON ENERGY CORPORATION AND SUBSIDIARIES**  
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**10. Supplemental Information to Statements of Cash Flows**

	Three Months Ended March 31,	
	2020	2019
Changes in assets and liabilities, net:		
Accounts receivable	\$ 238	\$ (29)
Income tax receivable	(113)	—
Other current assets	(38)	9
Other long-term assets	(24)	(8)
Accounts payable	42	(51)
Revenues and royalties payable	(113)	46
Other current liabilities	(81)	(23)
Other long-term liabilities	33	(5)
Total	<u>\$ (56)</u>	<u>\$ (61)</u>
Supplementary cash flow data - total operations:		
Interest paid (net of capitalized interest)	\$ 64	\$ 53
Income taxes paid	\$ 151	\$ 6

**11. Accounts Receivable**

Components of accounts receivable include the following:

	March 31, 2020	December 31, 2019
Oil, gas and NGL sales	\$ 235	\$ 452
Joint interest billings	147	168
Marketing and midstream revenues	149	207
Other	74	13
Gross accounts receivable	605	840
Allowance for doubtful accounts	(11)	(8)
Net accounts receivable	<u>\$ 594</u>	<u>\$ 832</u>

**12. Property, Plant and Equipment**

The following table presents the aggregate capitalized costs related to Devon's oil and gas and non-oil and gas activities.

	March 31, 2020	December 31, 2019
Property and equipment:		
Proved	\$ 27,986	\$ 27,668
Unproved and properties under development	504	583
Total oil and gas	28,490	28,251
Less accumulated DD&A	(23,734)	(20,693)
Oil and gas property and equipment, net	4,756	7,558
Other property and equipment	1,732	1,725
Less accumulated DD&A	(708)	(690)
Other property and equipment, net (1)	1,024	1,035
Property and equipment, net	<u>\$ 5,780</u>	<u>\$ 8,593</u>

(1) \$89 million and \$80 million related to CDM in 2020 and 2019, respectively.

During the first quarter of 2020, Devon recognized asset impairments of \$2.7 billion primarily related to proved oil and gas assets and \$110 million of unproved impairments, which significantly reduced the carrying value of its property and equipment, net. See [Note 5](#) for additional details.

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**13. Debt and Related Expenses**

See below for a summary of debt instruments and balances. The notes and debentures are senior, unsecured obligations of Devon.

	<u>March 31, 2020</u>	<u>December 31, 2019</u>
5.85% due December 15, 2025	\$ 485	\$ 485
7.50% due September 15, 2027	73	73
7.875% due September 30, 2031	675	675
7.95% due April 15, 2032	366	366
5.60% due July 15, 2041	1,250	1,250
4.75% due May 15, 2042	750	750
5.00% due June 15, 2045	750	750
Net discount on debentures and notes	(20)	(20)
Debt issuance costs	(34)	(35)
Total long-term debt	<u>\$ 4,295</u>	<u>\$ 4,294</u>

Devon has a \$3.0 billion Senior Credit Facility. As of March 31, 2020, Devon had no outstanding borrowings under the Senior Credit Facility and had issued \$2 million in outstanding letters of credit under this facility. The Senior Credit Facility contains only one material financial covenant. This covenant requires Devon's ratio of total funded debt to total capitalization, as defined in the credit agreement, to be no greater than 65%. Under the terms of the credit agreement, total capitalization is adjusted to add back noncash financial write-downs such as impairments. As of March 31, 2020, Devon was in compliance with this covenant with a debt-to-capitalization ratio of 18.8%.

**Retirement of Senior Notes**

In January 2019, Devon repaid the \$162 million of 6.30% senior notes at maturity.

**Net Financing Costs**

The following schedule includes the components of net financing costs.

	<u>Three Months Ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Interest based on debt outstanding	\$ 65	\$ 65
Interest income	(5)	(11)
Other	5	6
Total net financing costs	<u>\$ 65</u>	<u>\$ 60</u>

**14. Leases**

The following table presents Devon's right-of-use assets and lease liabilities as of March 31, 2020 and December 31, 2019.

	<u>March 31, 2020</u>			<u>December 31, 2019</u>		
	<u>Finance</u>	<u>Operating</u>	<u>Total</u>	<u>Finance</u>	<u>Operating</u>	<u>Total</u>
Right-of-use assets	\$ 227	\$ 10	\$ 237	\$ 229	\$ 14	\$ 243
Lease liabilities:						
Current lease liabilities (1)	\$ 7	\$ 7	\$ 14	\$ 7	\$ 10	\$ 17
Long-term lease liabilities	242	3	245	240	4	244
Total lease liabilities	<u>\$ 249</u>	<u>\$ 10</u>	<u>\$ 259</u>	<u>\$ 247</u>	<u>\$ 14</u>	<u>\$ 261</u>

(1) Current lease liabilities are included in other current liabilities on the consolidated balance sheets.

Devon's right-of-use operating lease assets are for certain leases related to real estate, drilling rigs and other equipment related to the exploration, development and production of oil and gas. Devon's right-of-use financing lease assets are related to real estate.

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**15. Asset Retirement Obligations**

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

	Three Months Ended March 31,	
	2020	2019
Asset retirement obligations as of beginning of period	\$ 398	\$ 484
Liabilities incurred	6	4
Liabilities settled and divested	(13)	(33)
Revision of estimated obligation	4	(62)
Accretion expense on discounted obligation	5	6
Asset retirement obligations as of end of period	400	399
Less current portion	14	15
Asset retirement obligations, long-term	<u>\$ 386</u>	<u>\$ 384</u>

During the first three months of 2019, Devon reduced its asset retirement obligations by \$62 million, primarily due to changes in the future cost estimates and retirement dates for its oil and gas assets. Additionally, during the first three months of 2019, Devon reduced its asset retirement obligations by \$29 million as a result of the non-core asset divestitures. For additional information, see [Note 2](#).

**16. Stockholders’ Equity**
**Share Repurchase Programs**

In March 2018, Devon announced a \$1.0 billion share repurchase program. In June 2018, Devon announced the expansion of this program to \$4.0 billion. In February 2019, Devon announced a further expansion to \$5.0 billion with a December 31, 2019 expiration date. In December 2019, Devon announced a new \$1.0 billion share repurchase program with a December 31, 2020 expiration date. Under the new program, \$800 million of the \$1.0 billion authorization is conditioned upon the closing of the Barnett Shale divestiture for cash proceeds of at least \$725 million. Due to the amended terms of the Barnett Shale divestiture with BKV, which reduced the closing payment to \$570 million and extended the closing date to December 31, 2020, Devon does not anticipate being able to repurchase more than \$200 million of the \$1.0 billion authorization before the program expiration date. As the pricing and economic environment has changed due to the COVID-19 pandemic and demand challenges for commodities, Devon has temporarily suspended its share repurchase program to preserve liquidity.

The table below provides information regarding purchases of Devon’s common stock that were made under the respective share repurchase programs (shares in thousands).

	Total Number of Shares Purchased	Dollar Value of Shares Purchased	Average Price Paid per Share
<b>\$5.0 Billion Plan</b>			
Full year 2018	78,149	\$ 2,978	\$ 38.11
First quarter 2019	36,141	1,024	28.33
Second quarter 2019	5,911	159	27.01
Third quarter 2019	22,137	550	24.80
Fourth quarter 2019	4,436	94	21.32
Total inception-to-date	<u>146,774</u>	<u>\$ 4,805</u>	<u>\$ 32.74</u>
<b>\$1.0 Billion Plan</b>			
First quarter 2020	2,243	\$ 38	\$ 16.85
Total inception-to-date	<u>2,243</u>	<u>\$ 38</u>	<u>\$ 16.85</u>

**Dividends**

Devon paid common stock dividends of \$34 million (\$0.09 per share) and \$34 million (\$0.08 per share) during the first three months of 2020 and 2019, respectively. In February 2020, Devon announced a 22% increase to its quarterly dividend, to \$0.11 per

**DEVON ENERGY CORPORATION AND SUBSIDIARIES**  
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share, beginning in the second quarter of 2020. In the second quarter of 2019, Devon raised its quarterly dividend from \$0.08 to \$0.09 per share.

**17. Discontinued Operations and Assets Held For Sale**

***Barnett Shale***

In 2019, Devon announced that it had entered into an agreement to sell its Barnett Shale assets to BKV and subsequently amended the agreement in April 2020. Under the amended terms, Devon has agreed to sell its Barnett Shale assets for \$570 million in cash, before purchase price adjustments, at closing, which was extended to December 31, 2020. Additionally, the agreement provides for contingent earnout payments to Devon of up to \$260 million based upon future commodity prices, with upside participation beginning at a \$2.75 Henry Hub natural gas price or a \$50 WTI oil price. The contingent payment period commences on January 1, 2021 and has a term of four years. Under the terms of the agreement, Devon received the deposit funds of \$170 million in April 2020. The deposit is being held by Devon pursuant to the terms of the sale agreement, which only requires Devon to return such funds to BKV in the event the transaction does not close as a result of Devon's breach of its closing obligations.

In connection with the announced sale of its Barnett Shale assets, approximately \$88 million of the U.S. reporting unit goodwill was allocated to the Barnett Shale assets. Additionally, Devon ceased depreciation for all property, plant and equipment classified as assets held for sale on the date the sales agreement was approved by the Board of Directors. Devon also recognized a \$748 million asset impairment in the fourth quarter of 2019 related to these assets, primarily due to the difference between the net carrying value and the purchase price, net of estimated customary purchase price adjustments. During the first quarter of 2020, Devon adjusted the estimated impairment \$179 million, primarily due to the amended agreement terms. The valuation of the future contingent earnout payments included in the March 31, 2020 Barnett Shale impairment computation was \$41 million. The value was derived utilizing a Monte Carlo valuation model and qualifies as a level 3 fair value measurement.

As of March 31, 2020, Devon has restricted approximately \$25 million to fund obligations in connection with the abandonment of certain gas processing contracts related to the 2018 divestitures. Cash payments for these charges total approximately \$2 million per quarter.

***Canada***

On June 27, 2019, Devon completed the sale of its Canadian business for \$2.6 billion (\$3.4 billion Canadian dollars), net of purchase price adjustments, and recognized a pre-tax gain of \$223 million (\$425 million net of tax, primarily due to a significant deferred tax benefit). Current (cash) income tax associated with the sale was approximately \$150 million and was paid in the first quarter of 2020. The disposition of substantially all of Devon's Canadian oil and gas assets resulted in Devon releasing its historical cumulative foreign currency translation adjustment of \$1.2 billion from accumulated other comprehensive earnings to be included within the gain computation. The historical cumulative foreign currency translation portion of the gain is not taxable.

During the third quarter of 2019, Devon utilized a portion of the sales proceeds to early retire its \$500 million of the 4.00% senior notes due July 15, 2021 and \$1.0 billion of the 3.25% senior notes due May 15, 2022. Devon recognized a charge on the early retirement of these notes consisting of \$52 million in cash retirement costs and \$6 million of noncash charges.

As of March 31, 2020, \$175 million of the Canadian cash balance is restricted for funding other obligations retained related to the Canadian business and is classified as cash restricted for discontinued operations on the consolidated balance sheets. The remaining obligations consist of a firm transportation agreement and office leases. Cash payments for these charges total approximately \$6 million per quarter.

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The following table presents the amounts reported in the consolidated statements of comprehensive earnings as discontinued operations.

	Three Months Ended March 31,	Barnett Shale	Canada	Total
<b>2020</b>				
Upstream revenues		\$ 92	\$ —	\$ 92
Total revenues		92	—	92
Production expenses		74	—	74
Asset impairments		179	—	179
General and administrative expenses		—	1	1
Financing costs, net		—	(2)	(2)
Other expenses		(13)	10	(3)
Total expenses		240	9	249
Loss from discontinued operations before income taxes		(148)	(9)	(157)
Income tax benefit		(32)	—	(32)
Net loss from discontinued operations, net of tax		\$ (116)	\$ (9)	\$ (125)
<b>2019</b>				
Upstream revenues		\$ 149	\$ 247	\$ 396
Marketing and midstream revenues		—	26	26
Total revenues		149	273	422
Production expenses		81	141	222
Exploration expenses		—	9	9
Marketing and midstream expenses		—	9	9
Depreciation, depletion and amortization		20	79	99
Asset dispositions		1	—	1
General and administrative expenses		—	18	18
Financing costs, net		—	13	13
Restructuring and transaction costs		—	3	3
Other expenses		6	(28)	(22)
Total expenses		108	244	352
Earnings from discontinued operations before income taxes		41	29	70
Income tax expense		9	—	9
Net earnings from discontinued operations, net of tax		\$ 32	\$ 29	\$ 61

The following table presents the carrying amounts of the assets and liabilities associated with discontinued operations on the consolidated balance sheets.

	As of March 31, 2020			As of December 31, 2019		
	Barnett Shale	Canada	Total	Barnett Shale	Canada	Total
Cash restricted for discontinued operations	\$ 25	\$ 175	\$ 200	\$ 25	\$ 355	\$ 380
Accounts receivable	36	1	37	38	1	39
Other current assets	5	2	7	5	2	7
Oil and gas property and equipment, based on successful efforts accounting, net	593	—	593	751	—	751
Other property and equipment, net	11	—	11	11	—	11
Goodwill	88	—	88	88	—	88
Other long-term assets	—	74	74	—	81	81
Total assets associated with discontinued operations	\$ 733	\$ 77	\$ 810	\$ 893	\$ 84	\$ 977
Accounts payable	\$ 14	\$ 6	\$ 20	\$ 15	\$ 4	\$ 19
Revenues and royalties payable	36	3	39	44	3	47
Other current liabilities	21	73	94	19	233	252
Asset retirement obligations	141	—	141	141	—	141
Other long-term liabilities	15	148	163	16	169	185
Total liabilities associated with discontinued operations	\$ 227	\$ 230	\$ 457	\$ 235	\$ 409	\$ 644

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**18. Commitments and Contingencies**

Devon is party to various legal actions arising in the normal course of business. Matters that are probable of an 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 likely involve future amounts that would be material to Devon's financial position or results of operations after consideration of recorded accruals. Actual amounts could differ materially from management's estimates.

***Royalty Matters***

Numerous oil and natural gas producers and related parties, including Devon, have been named in various lawsuits alleging royalty underpayments. Devon is currently named as a defendant in a number of such lawsuits, including some lawsuits in which the plaintiffs seek to certify classes of similarly situated plaintiffs. Among the allegations typically asserted in these suits are claims that Devon used below-market prices, made improper deductions, used improper measurement techniques and entered into gas purchase and processing arrangements with affiliates that resulted in underpayment of royalties in connection with oil, natural gas and NGLs produced and sold. Devon is also involved in governmental agency proceedings and royalty audits and is subject to related contracts and regulatory controls in the ordinary course of business, some that may lead to additional royalty claims. Devon does not currently believe that it is subject to material exposure with respect to such royalty matters.

***Environmental and Other Matters***

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

Beginning in 2013, various parishes in Louisiana filed suit against more than 100 oil and gas companies, including Devon, alleging that the companies' operations and activities in certain fields violated the State and Local Coastal Resource Management Act of 1978, as amended, and caused substantial environmental contamination, subsidence and other environmental damages to land and water bodies located in the coastal zone of Louisiana. The plaintiffs' claims against Devon relate primarily to the operations of several of Devon's corporate predecessors. The plaintiffs seek, among other things, the payment of the costs necessary to clear, re-vegetate and otherwise restore the allegedly impacted areas. Although Devon cannot predict the ultimate outcome of these matters, Devon is vigorously defending against these claims.

Various municipalities and other governmental and private parties in California have filed legal proceedings against certain oil and gas companies, including Devon, seeking relief to abate alleged impacts of climate change. These proceedings include far-reaching claims for monetary damages and injunctions against the production of all fossil fuels. Although Devon cannot predict the ultimate outcome of these matters, Devon believes these claims to be baseless and intends to vigorously defend against the proceedings.

**DEVON ENERGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**  
**(Unaudited)**

**19. Fair Value Measurements**

The following table provides carrying value and fair value measurement information for certain of Devon's financial assets and liabilities. The carrying values of cash, cash restricted for discontinued operations, accounts receivable, other current receivables, accounts payable, other current payables, accrued expenses and lease liabilities included in the accompanying consolidated balance sheets approximated fair value at March 31, 2020 and December 31, 2019, as applicable. Therefore, such financial assets and liabilities are not presented in the following table.

	Carrying Amount	Total Fair Value	Fair Value Measurements Using:	
			Level 1 Inputs	Level 2 Inputs
<b>March 31, 2020 assets (liabilities):</b>				
Cash equivalents	\$ 890	\$ 890	\$ 890	\$ —
Commodity derivatives	\$ 643	\$ 643	\$ —	\$ 643
Commodity derivatives	\$ (5)	\$ (5)	\$ —	\$ (5)
Debt	\$ (4,295)	\$ (3,118)	\$ —	\$ (3,118)
<b>December 31, 2019 assets (liabilities):</b>				
Cash equivalents	\$ 702	\$ 702	\$ 702	\$ —
Commodity derivatives	\$ 50	\$ 50	\$ —	\$ 50
Commodity derivatives	\$ (31)	\$ (31)	\$ —	\$ (31)
Debt	\$ (4,294)	\$ (5,376)	\$ —	\$ (5,376)

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

**Level 1 Fair Value Measurements**

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

**Level 2 Fair Value Measurements**

*Commodity derivatives* – The fair value of commodity derivatives is estimated using internal discounted cash flow calculations based upon forward curves and data obtained from independent third parties for contracts with similar terms or data obtained from counterparties to the agreements.

*Debt* – Devon's debt instruments do not actively trade in an established market. The fair values of its debt are estimated based on rates available for debt with similar terms and maturity.



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

The following discussion and analysis addresses material changes in our results of operations for the three-month period ended March 31, 2020 compared to previous periods and in our financial condition and liquidity since December 31, 2019. For information regarding our critical accounting policies and estimates, see our [2019 Annual Report on Form 10-K](#) under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

**COVID – 19**

A novel strain of coronavirus, SARS-CoV-2, causing a disease referred to as COVID-19, was reported to have surfaced in China in late 2019 and has subsequently spread to multiple countries worldwide, resulting in a global pandemic and health crisis. Devon began actively monitoring COVID-19 in January 2020 and formally established a COVID-19 cross-functional planning team at the beginning of March. The COVID-19 team is focused on two key priorities: the health and safety of our employees and contractors and the uninterrupted operation of our business.

- **Health and safety** – The COVID-19 team has developed and implemented a number of safety measures, which have successfully kept our workforce healthy and safe. The COVID-19 team has established an informational campaign to provide employees an understanding of the virus risk factors and safety measures, as well as timely updates from governmental stay-at-home regulations. Expectations have also been set for employees to communicate immediately if they, or someone they have been in contact with, has tested positive for COVID-19. Other measures included closing all of Devon's office buildings and locations to the public, implementing social distancing and encouraging employees to work from home. Beginning in late March, more than 90% of the workforce assigned to Devon's Oklahoma City Headquarters office were primarily working from home. The COVID-19 team has also implemented targeted and routine intensive and deep cleaning of all Devon office locations.
- **Uninterrupted operation of our business** – Beyond workforce safety measures, the COVID-19 team has worked with government officials to ensure our business continues to be deemed an essential business or infrastructure. The COVID-19 team has ensured technology and resources are available for employees to execute their job duties while working from home and implemented further social distancing and contactless initiatives in our oil and gas field operations. The collective efforts of our COVID-19 team and our entire workforce have enabled us to avoid the need to implement COVID-19 containment or mitigation measures, which would require closure or suspension of any of our operations.

This outbreak and the related responses of governmental authorities and others to limit the spread of the virus have significantly reduced global economic activity, resulting in an unprecedented decline in the demand for oil and other commodities. This supply-and-demand imbalance has been exacerbated by uncertainty regarding the future global supply of oil due to disputes between Russia and the members of OPEC, particularly Saudi Arabia, in March 2020. These factors caused a swift and material deterioration in commodity prices in early 2020, with NYMEX WTI oil prices falling from over \$60/Bbl at the beginning of year to below \$20/Bbl in April 2020. The current supply-and-demand imbalance has also imposed constraints on Devon's and other operators' ability to store and move production to downstream markets, which has resulted in the delay or curtailment of development activity, as well as the shutting-in of producing wells.

In response to the current macro-economic environment, we are protecting our financial strength and liquidity as evidenced by the following items:

- Maintained significant liquidity with \$1.7 billion of cash, inclusive of \$200 million restricted for discontinued operations, \$3.0 billion of available credit under our Senior Credit Facility and no outstanding debt maturities occurring until the end of 2025.
- Reduced 2020 capital expenditures outlook by approximately \$800 million, or 45% compared to original capital budget, and expect to fund 2020 capital program within operating cash flows even at current depressed commodity prices.
- Amended the sale of our Barnett Shale assets for \$570 million in cash at closing and contingent payments of up to \$260 million, with a close date of December 31, 2020.
- Temporarily suspended our share repurchase program to preserve liquidity.
- Hedged approximately 90% and 45% of our remaining 2020 oil and gas production at an average floor price of \$42/Bbl and \$2.15/Mcf, respectively. Additionally, we are currently building our 2021 hedge positions at market prices.
- Evaluating and shutting-in wells based on a variable cost analysis and other factors.

**Overview of 2020 Results**

We operate under a disciplined returns-driven strategy focused on delivering strong operational results, financial strength and value to our shareholders and continuing our commitment to environmental, social and governance excellence, which provides us with

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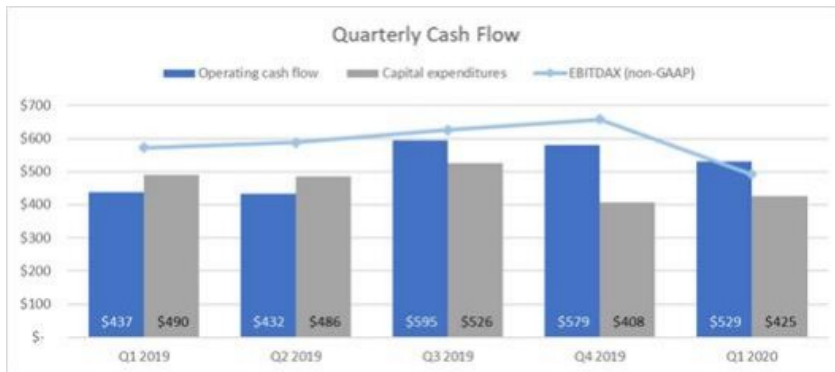
a strong foundation to grow returns, margin and profitability. We continue to execute on our strategy and navigate through the challenged economic environment by protecting our financial strength, tailoring our capital investment to market conditions, improving our cash cost structure and preserving operational continuity.

Trends of our quarterly earnings, operating cash flow, EBITDAX and capital expenditures are shown below. The quarterly earnings chart presents amounts pertaining to both Devon’s continuing and discontinuing operations. The quarterly cash flow chart presents amounts pertaining to Devon’s continuing operations. “Core earnings” and “EBITDAX” are financial measures not prepared in accordance with GAAP. For a description of these measures, including reconciliations to the comparable GAAP measures, see “Non-GAAP Measures” in this Item 2.



Our net earnings in recent quarters have been significantly impacted by divestiture transactions, asset impairments and temporary, noncash adjustments to the value of our commodity hedges. Net earnings in the first quarter of 2020 included \$2.3 billion of asset impairments on our proved and unproved properties and a \$0.5 billion hedge valuation gain, both net of taxes. Net earnings in the fourth quarter of 2019 included \$0.6 billion of asset impairments and a \$0.1 billion hedge valuation loss, both net of taxes. Net earnings in the second quarter of 2019 included \$0.3 billion for net after-tax gains and charges related to our Canadian disposition. Net earnings in the first quarter of 2019 included a \$0.5 billion after-tax hedge valuation loss. Excluding these amounts, our core earnings have been more stable over recent quarters but continue to be heavily influenced by commodity prices.

Despite our portfolio enhancements, aggressive cost reductions and operational advancements, our financial results continue to be challenged by commodity prices and deterioration of the macro-economic environment resulting from the unprecedented COVID-19 pandemic. Our earnings declined from the fourth quarter of 2019 to the first quarter of 2020 due to a decrease in overall commodity prices. Led by a 19% decrease in the WTI from the fourth quarter of 2019 to the first quarter of 2020, our unhedged combined realized price dropped 23%. Despite these price drops, we were able to maintain production volumes while simultaneously reducing production and administrative costs 4% compared to 2019.



Like earnings, our operating cash flow is sensitive to volatile commodity prices. EBITDAX, which excludes financial amounts related to discontinued operations, has been more stable over the past five quarters as our production growth and cost reductions

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countered price declines experienced over the same time period. Regardless of cash flow fluctuations, we remain focused on managing our capital investment to generate free cash flow. As operating cash flow has declined, we have adjusted our capital development plans accordingly.

We exited the first quarter of 2020 with \$4.7 billion of liquidity comprised of \$1.7 billion of cash, inclusive of \$200 million of cash restricted for discontinued operations, and \$3.0 billion of available credit under our Senior Credit Facility. We have \$4.3 billion of debt outstanding with no maturities until the end of 2025. We currently have approximately 90% of our expected oil production and approximately 45% of our expected gas production protected with hedges for the remainder of 2020. These contracts consist of collars and swaps based off the WTI oil benchmark and the Henry Hub natural gas index. Additionally, we have entered into regional basis swaps in an effort to protect price realizations across our portfolio.

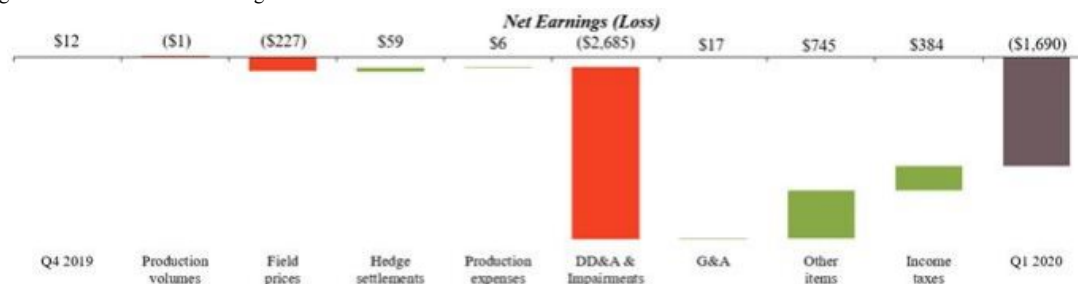
**Results of Operations**

The following graphs, discussion and analysis are intended to provide an understanding of our results of operations and current financial condition. To facilitate the review, these numbers are being presented before consideration of earnings attributable to noncontrolling interests. Analysis of the change in net earnings from continuing operations is shown below and analysis of the change in net earnings from discontinued operations is shown on page 33.

**Continuing Operations**

**Q1 2020 vs. Q4 2019**

Our first quarter 2020 net loss from continuing operations was \$1.7 billion. The graph below shows the change in net earnings (loss) from the fourth quarter of 2019 to the first quarter of 2020. The material changes are further discussed by category on the following pages. To facilitate the review, these numbers are being presented before consideration of earnings attributable to noncontrolling interests.



**Production Volumes**

	Q1 2020	% of Total	Q4 2019	Change
<b>Oil (MBbls/d)</b>				
Delaware Basin	84	51%	84	+0%
Anadarko Basin	24	15%	27	- 14%
Powder River Basin	21	13%	20	+7%
Eagle Ford	26	16%	23	+13%
Other	8	5%	9	- 6%
<b>Total</b>	<b>163</b>	<b>100%</b>	<b>163</b>	<b>+0%</b>

	Q1 2020	% of Total	Q4 2019	Change
<b>NGLs (MBbls/d)</b>				
Delaware Basin	37	47%	32	+18%
Anadarko Basin	30	37%	30	- 2%
Powder River Basin	3	4%	2	+13%
Eagle Ford	9	11%	9	+3%
Other	1	1%	1	- 17%
<b>Total</b>	<b>80</b>	<b>100%</b>	<b>74</b>	<b>+8%</b>

	Q1 2020	% of Total	Q4 2019	Change
<b>Gas (MMcf/d)</b>				
Delaware Basin	244	38%	234	+4%
Anadarko Basin	272	43%	295	- 8%
Powder River Basin	29	4%	28	+1%
Eagle Ford	86	14%	76	+12%
Other	3	1%	4	- 15%
<b>Total</b>	<b>634</b>	<b>100%</b>	<b>637</b>	<b>- 1%</b>

	Q1 2020	% of Total	Q4 2019	Change
<b>Combined (MBoe/d)</b>				
Delaware Basin	162	47%	154	+5%
Anadarko Basin	98	28%	107	- 8%
Powder River Basin	29	8%	27	+6%
Eagle Ford	50	14%	45	+11%
Other	9	3%	10	- 7%
<b>Total</b>	<b>348</b>	<b>100%</b>	<b>343</b>	<b>+2%</b>

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Continued development in the Delaware Basin and Powder River Basin drove production increases. Additionally, a well-control event curtailed production volumes in the Eagle Ford during the fourth quarter of 2019. These were partially offset by lower activity in the Anadarko Basin.

In response to the current macro-economic environment, we have reduced planned 2020 capital expenditures by 45% and shut in certain marginal wells. As a result, we anticipate total production to decrease in the second quarter of 2020 to a range of 302 to 328 MBoe/d and continue to decrease for the second half of 2020.

**Field Prices**

	Q1 2020	Realization	Q4 2019	Change
<b>Oil (per Bbl)</b>				
WTI index	\$ 46.44		\$ 57.02	- 19%
Realized price, unhedged	\$ 44.59	96%	\$ 55.41	- 20%
Cash settlements	\$ 5.14		\$ 1.48	
Realized price, with hedges	\$ 49.73	107%	\$ 56.89	- 13%

	Q1 2020	Realization	Q4 2019	Change
<b>Gas (per Mcf)</b>				
Henry Hub index	\$ 1.95		\$ 2.50	- 22%
Realized price, unhedged	\$ 1.21	62%	\$ 1.70	- 29%
Cash settlements	\$ 0.36		\$ 0.13	
Realized price, with hedges	\$ 1.57	81%	\$ 1.83	- 14%

	Q1 2020	Realization	Q4 2019	Change
<b>NGLs (per Bbl)</b>				
Mont Belvieu blended index <sup>(1)</sup>	\$ 14.39		\$ 18.69	- 23%
Realized price, unhedged	\$ 10.40	72%	\$ 15.79	- 34%
Cash settlements	\$ 0.61		\$ 1.75	
Realized price, with hedges	\$ 11.01	77%	\$ 17.54	- 37%

(1) Based upon composition of our NGL barrel.

	Q1 2020	Q4 2019	Change
<b>Combined (per Boe)</b>			
Realized price, unhedged	\$ 25.43	\$ 32.82	- 23%
Cash settlements	\$ 3.20	\$ 1.32	
Realized price, with hedges	\$ 28.63	\$ 34.14	- 16%

From the fourth quarter of 2019 to the first quarter of 2020, field prices contributed to a \$227 million decrease in earnings. Unhedged realized oil, gas and NGL prices decreased primarily due to lower WTI, Henry Hub and Mont Belvieu index prices. These decreases were partially offset by favorable hedge cash settlements across each of our products.

As prices further deteriorated towards the end of the first quarter from the COVID-19 pandemic, we added additional oil and gas hedges for the remaining quarters of 2020 and the year 2021. We currently have approximately 90% of our remaining 2020 oil production hedged with an average floor price of \$42/Bbl and approximately 45% of our remaining 2020 gas production hedged with an average floor price of \$2.15/Mcf. Additionally, we are currently building our 2021 hedge positions at market prices.

**Hedge Settlements**

	Q1 2020	Q4 2019	Change
Oil	\$ 76	\$ 22	+245%
Natural gas	21	8	+163%
NGL	4	12	- 67%
Total cash settlements	\$ 101	\$ 42	+140%

Cash settlements as presented in the tables above represent realized gains or losses related to the instruments described in [Note 3](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

**Production Expenses**

	Q1 2020	Q4 2019	Change
LOE	\$ 126	\$ 120	+5%
Gathering, processing & transportation	130	131	- 1%
Production taxes	56	69	- 19%
Property taxes	6	4	+50%
Total	\$ 318	\$ 324	- 2%
Per Boe:			
LOE	\$ 3.96	\$ 3.79	+5%
Gathering, processing & transportation	\$ 4.11	\$ 4.16	- 1%
Percent of oil, gas and NGL sales:			
Production taxes	6.9%	6.7%	+3%

In response to the current macro-economic environment, reduced planned 2020 capital expenditures and shutting in certain marginal wells, we anticipate decreases in LOE and gathering, processing and transportation of approximately 10% during the remainder of 2020. Additionally, we expect lower production taxes as a result of lower oil, gas and NGL revenues.

**Field-Level Cash Margin**

The table below presents the field-level cash margin for each of our operating areas. Field-level cash margin is computed as oil, gas and NGL revenues less production expenses and is not prepared in accordance with GAAP. A reconciliation to the comparable GAAP measures is found in “Non-GAAP Measures” in this Item 2. The changes in production volumes, field prices and production expenses, shown above, had the following impact on our field-level cash margins by asset.

	Q1 2020	\$ per BOE	Q4 2019	\$ per BOE
<b>Field-level cash margin (non-GAAP)</b>				
Delaware Basin	\$ 260	\$ 17.72	\$ 372	\$ 26.30
Anadarko Basin	74	8.22	147	15.06
Powder River Basin	54	20.48	73	28.86
Eagle Ford	87	19.20	98	23.72
Other	14	15.55	21	22.33
Total	\$ 489	\$ 15.41	\$ 711	\$ 22.55

**DD&A and Asset Impairments**

	Q1 2020	Q4 2019	Change
Oil and gas per Boe	\$ 11.90	\$ 11.71	+2%
Oil and gas	\$ 377	\$ 370	+2%
Other property and equipment	24	12	+93%
Total	<u>\$ 401</u>	<u>\$ 382</u>	+5%
Asset impairments	<u>\$ 2,666</u>	<u>\$ —</u>	N/M

Asset impairments were \$2.7 billion in the first quarter of 2020 due to significant decreases in commodity prices since the end of 2019 resulting primarily from the COVID-19 pandemic. For additional information, see [Note 5](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

As a result of the asset impairments of \$2.7 billion during the first quarter of 2020 and the lower production resulting from decreased capital expenditures, DD&A will decrease approximately 25% for the remainder of 2020.

**General and Administrative Expenses**

	Q1 2020	Q4 2019	Change
Labor and benefits (net of reimbursements)	\$ 66	\$ 80	- 18%
Non-labor	36	39	- 8%
Total Devon	<u>\$ 102</u>	<u>\$ 119</u>	- 14%

G&A decreased primarily as a result of lower employee costs and benefits.

**Other Items**

	Q1 2020	Q4 2019	Change in earnings
Commodity hedge valuation changes <sup>(1)</sup>	\$ 619	\$ (158)	\$ 777
Marketing and midstream operations	(18)	5	(23)
Exploration expenses	112	29	(83)
Net financing costs	65	64	(1)
Restructuring and transaction costs	—	11	11
Other expenses	(48)	16	64
			<u>\$ 745</u>

(1) Included as a component of upstream revenues on the consolidated statements of comprehensive earnings.

We recognize fair value changes on our oil, gas and NGL derivative instruments in each reporting period. The changes in fair value resulted from new positions and settlements that occurred during each period, as well as the relationship between contract prices and the associated forward curves. For additional information, see [Note 3](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

Marketing operations decreased approximately \$23 million primarily from downstream product inventory impairments of \$17 million recognized in the first quarter of 2020.

Exploration expenses increased in 2020 due to \$110 million in unproved asset impairments. For additional information, see [Note 5](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

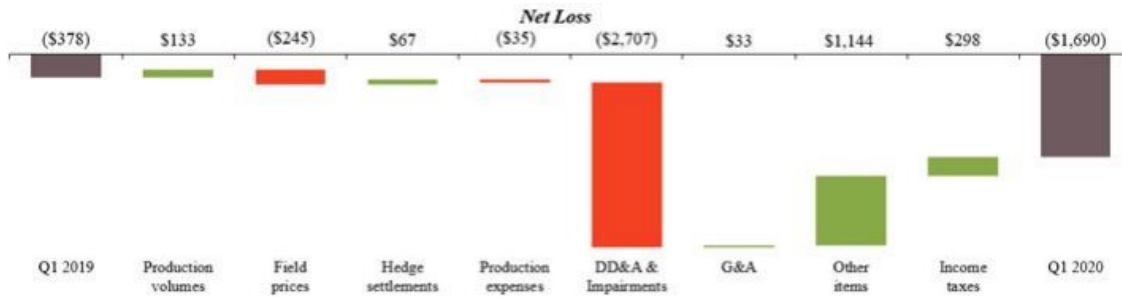
Other expenses decreased due to a severance tax refund received in 2020 related to prior periods.

**Income Taxes**

	Q1 2020	Q4 2019
Current benefit	\$ (106)	\$ (5)
Deferred benefit	(311)	(28)
Total benefit	<u>\$ (417)</u>	<u>\$ (33)</u>
Effective income tax rate	<u>20%</u>	<u>155%</u>

For discussion on income taxes, see [Note 7](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

Our first quarter 2020 net loss from continuing operations was \$1.7 billion. The graph below shows the change in net loss from the first quarter of 2019 to the first quarter of 2020. The material changes are further discussed on the following pages. To facilitate the review, these numbers are being presented before consideration of earnings attributable to noncontrolling interests.



	Q1 2020	% of Total	Q1 2019	Change
<b>Oil (MBbls/d)</b>				
Delaware Basin	84	51%	60	+40%
Anadarko Basin	24	15%	32	-27%
Powder River Basin	21	13%	15	+39%
Eagle Ford	26	16%	25	+6%
Other	8	5%	9	-13%
<b>Total</b>	<b>163</b>	<b>100%</b>	<b>141</b>	<b>+15%</b>

	Q1 2020	% of Total	Q1 2019	Change
<b>Gas (MMcf/d)</b>				
Delaware Basin	244	38%	146	+68%
Anadarko Basin	272	43%	333	-18%
Powder River Basin	29	4%	18	+56%
Eagle Ford	86	14%	83	+3%
Other	3	1%	8	-58%
<b>Total</b>	<b>634</b>	<b>100%</b>	<b>588</b>	<b>+8%</b>

	Q1 2020	% of Total	Q1 2019	Change
<b>NGLs (MBbls/d)</b>				
Delaware Basin	37	47%	23	+62%
Anadarko Basin	30	37%	35	-17%
Powder River Basin	3	4%	2	+44%
Eagle Ford	9	11%	12	-21%
Other	1	1%	2	-32%
<b>Total</b>	<b>80</b>	<b>100%</b>	<b>74</b>	<b>+9%</b>

	Q1 2020	% of Total	Q1 2019	Change
<b>Combined (MBoe/d)</b>				
Delaware Basin	162	47%	107	+51%
Anadarko Basin	98	28%	123	-20%
Powder River Basin	29	8%	21	+41%
Eagle Ford	50	14%	50	-1%
Other	9	3%	12	-22%
<b>Total</b>	<b>348</b>	<b>100%</b>	<b>313</b>	<b>+11%</b>

An increase in production volumes from the first quarter of 2019 to the first quarter of 2020 contributed to a \$133 million increase in earnings. Continued development in the Delaware Basin and Powder River Basin drove production increases, which were slightly offset by decreased activity in the Anadarko Basin.

#### Field Prices

	Q1 2020	Realization	Q1 2019	Change
<b>Oil (per Bbl)</b>				
WTI index	\$ 46.44		\$ 54.88	-15%
Realized price, unhedged	\$ 44.59	96%	\$ 51.83	-14%
Cash settlements	\$ 5.14		\$ 3.65	
Realized price, with hedges	\$ 49.73	107%	\$ 55.48	-10%

	Q1 2020	Realization	Q1 2019	Change
<b>Gas (per Mcf)</b>				
Henry Hub index	\$ 1.95		\$ 3.15	-38%
Realized price, unhedged	\$ 1.21	62%	\$ 2.62	-54%
Cash settlements	\$ 0.36		\$ (0.31)	
Realized price, with hedges	\$ 1.57	81%	\$ 2.31	-32%

	Q1 2020	Realization	Q1 2019	Change
<b>NGLs (per Bbl)</b>				
Mont Belvieu blended index (1)	\$ 14.39		\$ 22.94	-37%
Realized price, unhedged	\$ 10.40	72%	\$ 18.36	-43%
Cash settlements	\$ 0.61		\$ 0.67	
Realized price, with hedges	\$ 11.01	77%	\$ 19.03	-42%

(1)Based upon composition of our NGL barrel.

	Q1 2020	Q1 2019	Change
<b>Combined (per Boe)</b>			
Realized price, unhedged	\$ 25.43	\$ 32.65	-22%
Cash settlements	\$ 3.20	\$ 1.22	
Realized price, with hedges	\$ 28.63	\$ 33.87	-15%

From the first quarter of 2019 to the first quarter of 2020, field prices contributed to a \$245 million decrease in earnings. Unhedged realized oil, gas and NGL prices decreased primarily due to lower WTI, Henry Hub and Mont Belvieu index prices. These decreases were partially offset by favorable hedge cash settlements across each of our products.

#### Hedge Settlements

	Q1 2020	Q1 2019	Change
<b>Oil</b>	\$ 76	\$ 46	+65%
Natural gas	21	(16)	+231%
NGL	4	4	+0%
<b>Total cash settlements</b>	<b>\$ 101</b>	<b>\$ 34</b>	<b>+197%</b>

Cash settlements as presented in the tables above represent realized gains or losses related to the instruments described in [Note 3](#) in "Part I. Financial Information – Item 1. Financial Statements" in this report.

#### Production Expenses

	Q1 2020	Q1 2019	Change
<b>LOE</b>	\$ 126	\$ 110	+15%
Gathering, processing & transportation	130	109	+19%
Production taxes	56	60	-7%
Property taxes	6	4	+50%
<b>Total</b>	<b>\$ 318</b>	<b>\$ 283</b>	<b>+12%</b>
<b>Per Boe:</b>			
LOE	\$ 3.96	\$ 3.95	+0%
Gathering, processing & transportation	\$ 4.11	\$ 3.86	+6%
<b>Percent of oil, gas and NGL sales:</b>			
Production taxes	6.9%	6.5%	+6%

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LOE and gathering, processing and transportation increased primarily due to continued development and increased activity in the Delaware Basin.

**Field-Level Cash Margin**

The table below presents the field-level cash margin for each of our operating areas. Field-level cash margin is computed as oil, gas and NGL revenues less production expenses and is not prepared in accordance with GAAP. A reconciliation to the comparable GAAP measures is found in “Non-GAAP Measures” in this Item 2. The changes in production volumes, field prices and production expenses, shown above, had the following impact on our field-level cash margins by asset.

	Q1 2020	\$ per BOE	Q1 2019	\$ per BOE
<b>Field-level cash margin (non-GAAP)</b>				
Delaware Basin	\$ 260	\$ 17.72	\$ 235	\$ 24.39
Anadarko Basin	74	8.22	203	18.27
Powder River Basin	54	20.48	50	27.02
Eagle Ford	87	19.20	128	28.53
Other	14	15.55	19	17.57
<b>Total</b>	<b>\$ 489</b>	<b>\$ 15.41</b>	<b>\$ 635</b>	<b>\$ 22.54</b>

**DD&A and Asset Impairments**

	Q1 2020	Q1 2019	Change
Oil and gas per Boe	\$ 11.90	\$ 11.73	+1%
Oil and gas	\$ 377	\$ 331	+14%
Other property and equipment	24	29	- 19%
<b>Total</b>	<b>\$ 401</b>	<b>\$ 360</b>	<b>+11%</b>
Asset impairments	\$ 2,666	\$ —	N/M

Our oil and gas DD&A increased primarily due to continued development in the Delaware Basin and Powder River Basin properties.

Asset impairments were \$2.7 billion in the first quarter of 2020 due to significant decreases in commodity prices since the end of 2019 resulting primarily from the COVID-19 pandemic. For additional information, see [Note 5](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

**General and Administrative Expenses**

	Q1 2020	Q1 2019	Change
Labor and benefits (net of reimbursements)	\$ 66	\$ 86	- 23%
Non-labor	36	49	- 27%
<b>Total Devon</b>	<b>\$ 102</b>	<b>\$ 135</b>	<b>- 24%</b>

Labor and benefits and non-labor expenses decreased primarily as a result of continued workforce reduction and cost savings initiatives.

**Other Items**

	Q1 2020	Q1 2019	Change in earnings
Commodity hedge valuation changes (1)	\$ 619	\$ (639)	\$ 1,258
Marketing and midstream operations	(18)	15	(33)
Exploration expenses	112	4	(108)
Asset dispositions	—	(45)	(45)
Net financing costs	65	60	(5)
Restructuring and transaction costs	—	51	51
Other expenses	(48)	(22)	26
			<b>\$ 1,144</b>

(1) Included as a component of upstream revenues on the consolidated statements of comprehensive earnings.

We recognize fair value changes on our oil, gas and NGL derivative instruments in each reporting period. The changes in fair value resulted from new positions and settlements that occurred during each period, as well as the relationship between contract prices and the associated forward curves. For additional information, see [Note 3](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

Marketing operations decreased approximately \$33 million primarily from downstream product inventory impairments of \$17 million recognized in the first quarter of 2020.

Exploration expenses increased in 2020 due to \$110 million in unproved asset impairments. For additional information, see [Note 5](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

**Income Taxes**

	Q1 2020	Q1 2019
Current benefit	\$ (106)	\$ (4)
Deferred benefit	(311)	(115)
<b>Total benefit</b>	<b>\$ (417)</b>	<b>\$ (119)</b>
Effective income tax rate	20%	24%

For discussion on income taxes, see [Note 7](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.



**Discontinued Operations****Results of Operations – Discontinued Operations**

The table below presents key components from discontinued operations for the time periods presented. Discontinued operations include the Canadian business that Devon sold in June 2019 and the Barnett Shale assets that Devon has contracted to sell and which is expected to close on December 31, 2020. For additional information on discontinued operations, see [Note 17](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

	Q1 2020		Q4 2019		Q1 2019
Upstream revenues	\$ 92	\$	121	\$	396
Production expenses	\$ 74	\$	75	\$	222
Marketing margin	\$ —	\$	—	\$	17
Asset impairments	\$ 179	\$	748	\$	—
Restructuring and transaction costs	\$ —	\$	4	\$	3
Earnings (loss) from discontinued operations before income taxes	\$ (157)	\$	(724)	\$	70
Income tax expense (benefit)	\$ (32)	\$	(72)	\$	9
Net earnings (loss) from discontinued operations, net of tax	\$ (125)	\$	(652)	\$	61
Production (MMBoe):					
Barnett Shale	9		9		9
Canada	—		—		10
Total production	9		9		19
Realized price, unhedged (per Boe) - Barnett Shale	\$ 10.16	\$	13.45	\$	16.18
Realized price, unhedged (per Boe) - Canada	N/A		N/A	\$	34.42

**Q1 2020 vs. Q4 2019**

Net loss from discontinued operations, net of tax decreased \$527 million due to a decrease in asset impairments from the fourth quarter of 2019 to the first quarter of 2020. During the first quarter of 2020, we recognized \$179 million in asset impairments on our Barnett Shale assets due to the amended terms of the Barnett sales agreement. During the fourth quarter of 2019, we recognized a \$748 million asset impairment to our Barnett Shale assets.

**Q1 2020 vs. Q1 2019**

Net earnings (loss) from discontinued operations, net of tax decreased \$186 million due to \$179 million in incremental asset impairments to our Barnett Shale assets related to the amended terms of the Barnett sales agreement during the first quarter of 2020. Upstream revenues and production expenses decreased from the first quarter of 2019 to the first quarter of 2020 due to Devon’s divestment of its Canadian business in the second quarter of 2019.

**Capital Resources, Uses and Liquidity****Sources and Uses of Cash**

The following table presents the major changes in cash and cash equivalents for the three months ended March 31, 2020 and 2019.

	<b>Three Months Ended March 31st,</b>	
	<b>2020</b>	<b>2019</b>
Operating cash flow from continuing operations	\$ 529	\$ 437
Divestitures of property and equipment	25	310
Capital expenditures	(425)	(490)
Acquisitions of property and equipment	(4)	(10)
Debt activity, net	—	(162)
Repurchases of common stock	(38)	(999)
Common stock dividends	(34)	(34)
Contributions from noncontrolling interests	5	—
Distributions to noncontrolling interests	(3)	—
Other	(17)	(19)
Net change in cash, cash equivalents and restricted cash from discontinued operations	(155)	(124)
Net change in cash, cash equivalents and restricted cash	\$ (117)	\$ (1,091)
Cash, cash equivalents and restricted cash at end of period	\$ 1,727	\$ 1,355

*Operating Cash Flow*

As presented in the table above, net cash provided by operating activities continued to be a significant source of capital and liquidity. During the three months ended March 31, 2020, our operating cash flow funded all our capital expenditures and dividends, allowing us to use available cash balances to fund other capital uses.

*Divestitures of Property and Equipment*

During the first three months of 2019, we sold non-core U.S. assets for approximately \$300 million, net of customary purchase price adjustments. For additional information, please see [Note 2](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

*Capital Expenditures and Acquisitions of Property and Equipment*

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

	<b>Three Months Ended March 31st,</b>	
	<b>2020</b>	<b>2019</b>
Delaware Basin	\$ 221	\$ 225
Powder River Basin	85	56
Eagle Ford	94	55
Anadarko Basin	8	136
Other	3	11
Total oil and gas	411	483
Midstream	8	—
Other	6	7
Total capital expenditures	\$ 425	\$ 490
Acquisitions	\$ 4	\$ 10

Capital expenditures consist primarily of amounts related to our oil and gas exploration and development operations, midstream operations and other corporate activities. Our capital program is designed to operate within or near operating cash flow. This is evidenced by our operating cash flow fully funding capital expenditures for the three months ended March 31, 2020 and 89% of

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capital expenditures for the three months ended March 31, 2019. Our capital investment program is driven by a disciplined allocation process focused on returns. Our capital expenditures are lower in 2020 primarily due to our decreased spending in the Anadarko Basin, partially offset by increased capital investment in the Powder River Basin and Eagle Ford. In response to the current macro-economic environment, we reduced our 2020 capital expenditures outlook by approximately \$800 million, or 45% compared to the original capital budget, and expect to fund our 2020 capital program within operating cash flows even at current depressed commodity prices.

*Debt Activity*

During the first quarter of 2019, our debt decreased \$162 million due to the repayment of our 6.30% senior notes at maturity.

*Shareholder Distributions and Stock Activity*

We paid common stock dividends of \$34 million (\$0.09 per share) and \$34 million (\$0.08 per share) during the first three months of 2020 and 2019, respectively. In February 2020, we announced a 22% increase to our quarterly dividend, to \$0.11 per share, beginning in the second quarter of 2020. Beginning with the second quarter of 2019, we increased our quarterly dividend to \$0.09 per share.

We repurchased 2.2 million shares of common stock for \$38 million in the first three months of 2020 and 36.1 million shares of common stock for \$1.0 billion in the first three months of 2019 under share repurchase programs authorized by our Board of Directors. For additional information, see [Note 16](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

*Noncontrolling Interest Contributions and Distributions*

During the first quarter of 2020, we received \$5 million in contributions from our noncontrolling interests in CDM and distributed \$3 million to our noncontrolling interests in CDM.

*Cash Flows from Discontinued Operations*

All cash flows in the following table relate to activities of our Canadian business that Devon sold in June 2019 and the Barnett Shale assets that Devon has contracted to sell and is expected to close in the fourth quarter of 2020.

	<b>Three Months Ended March 31st,</b>	
	<b>2020</b>	<b>2019</b>
Canadian tax payments	\$ (153)	\$ —
Other	22	(59)
Operating activities	<u>(131)</u>	<u>(59)</u>
Investing activities	<u>(1)</u>	<u>(59)</u>
Financing activities	<u>—</u>	<u>(7)</u>
Effect of exchange rate changes on cash	<u>(23)</u>	<u>1</u>
Net change in cash, cash equivalents and restricted cash of discontinued operations	<u>\$ (155)</u>	<u>\$ (124)</u>

Operating cash flows in the first quarter of 2020 include \$153 million of cash income tax payments in Canada related to divestitures. Additionally, operating cash flow was negatively affected in the first quarter of 2019 primarily due to realization impacts associated with the widening Canadian differentials in the fourth quarter of 2018. See [Note 2](#) and [Note 17](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report for additional details on these divestitures.

*Liquidity*

The business of exploring for, developing and producing oil and natural gas is capital intensive. Because oil, natural gas and NGL reserves are a depleting resource, we, like all upstream operators, must continually make capital investments to grow and even sustain production. Generally, our capital investments are focused on drilling and completing new wells and maintaining production from existing wells. At opportunistic times, we also acquire operations and properties from other operators or land owners to enhance our existing portfolio of assets.

Historically, our primary sources of capital funding and liquidity have been our operating cash flow, cash on hand and asset divestiture proceeds. Additionally, we maintain a commercial paper program, supported by our revolving line of credit, which can be

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accessed as needed to supplement operating cash flow and cash balances. If needed, we can also issue debt and equity securities, including through transactions under our shelf registration statement filed with the SEC. We estimate the combination of our sources of capital will continue to be adequate to fund our planned capital requirements as discussed in this section.

Beginning in the first quarter of 2020, the macro-economic environment has deteriorated significantly and has created extreme volatility primarily due to concerns arising from the COVID-19 pandemic. In response to this environment, we will continue to maintain flexibility within our capital program as we continue to focus on protecting our financial strength and maintaining operational continuity.

*Operating Cash Flow*

Key inputs into determining our planned capital investment are the amounts of cash we hold and operating cash flow we expect to generate over the next one to three or more years. At the end of the first quarter of 2020, we held approximately \$1.7 billion of cash, inclusive of \$200 million of cash restricted for discontinued operations. Our operating cash flow forecasts are sensitive to many variables and include a measure of uncertainty as the actual results of these variables may differ from our expectations.

*Commodity Prices* – The most uncertain and volatile variables for our operating cash flow are the prices of the oil, gas and NGLs we produce and sell. Prices are determined primarily by prevailing market conditions. Regional and worldwide economic activity, weather and other substantially variable factors influence market conditions for these products. These factors, which are difficult to predict, create volatility in prices and are beyond our control.

Actions taken by governments around the world in response to the COVID-19 pandemic have led to an unprecedented decline in global oil demand. Oil prices, which had already been trending down on concerns about oversupply, subsequently collapsed in March. Benchmark WTI spot oil prices fell from over \$60/Bbl in early January to less than \$20/Bbl in April.

To mitigate some of the risk inherent in prices, we utilize various derivative financial instruments to protect a portion of our production against downside price risk. We hedge our production in a manner that systematically places hedges for several quarters in advance, allowing us to maintain a disciplined risk management program as it relates to commodity price volatility. We supplement the systematic hedging program with discretionary hedges that take advantage of favorable market conditions. For the remainder of 2020, we have approximately 90% of our oil production hedged with an average floor price of \$42/Bbl and approximately 45% of our gas production hedged with an average floor price of \$2.15/Mcf. Additionally, we are currently building our 2021 hedge positions at market prices. The key terms to our oil, gas and NGL derivative financial instruments as of March 31, 2020 are presented in [Note 3](#) in “Part I. Financial Information – Item 1. Financial Statements” of this report.

*Operating Expenses* – Commodity prices can also affect our operating cash flow through an indirect effect on operating expenses. Significant commodity price decreases can lead to a decrease in drilling and development activities. As a result, the demand and cost for people, services, equipment and materials may also decrease, causing a positive impact on our cash flow as the prices paid for services and equipment decline. However, the inverse is also generally true during periods of rising commodity prices.

*Credit Losses* – Our operating cash flow is also exposed to credit risk in a variety of ways. This includes the credit risk related to customers who purchase our oil, gas and NGL production, the collection of receivables from our joint-interest partners for their proportionate share of expenditures made on projects we operate and counterparties to our derivative financial contracts. We utilize a variety of mechanisms to limit our exposure to the credit risks of our customers, partners and counterparties. Such mechanisms include, under certain conditions, requiring letters of credit, prepayments or collateral postings and other protections allowed per our agreements.

*Divestitures of Property and Equipment*

In April 2020, we amended the terms on the sale of our Barnett Shale assets with an expected close date of December 31, 2020. Under the terms of the agreement, we received the deposit funds of \$170 million in April 2020. The deposit is being held by us pursuant to the terms of the sale agreement, which only requires us to return such funds to BKV in the event the transaction does not close as a result of our breach of our closing obligations.

*Capital Expenditures*

In response to the current macro-economic environment, we reduced our 2020 capital expenditures outlook by approximately \$800 million, or 45% compared to the original capital budget, and expect to fund our 2020 capital program within operating cash flows, even at current depressed commodity prices. Our exploration and development budget for the remainder of 2020 is expected to range from \$0.6 billion to \$0.7 billion. As economic factors change, we will continue to be flexible with our capital program.

### *Credit Availability*

As of March 31, 2020, we had approximately \$3.0 billion of available borrowing capacity under our Senior Credit Facility. This credit facility supports our \$3.0 billion of short-term credit under our commercial paper program. At March 31, 2020, there were no borrowings under our commercial paper program, and we were in compliance with the Senior Credit Facility's financial covenant.

### *Debt Ratings*

We receive debt ratings from the major ratings agencies in the U.S. In determining our debt ratings, the agencies consider a number of qualitative and quantitative items including, but not limited to, commodity pricing levels, our liquidity, asset quality, reserve mix, debt levels, cost structure, planned asset sales and production growth opportunities. Our credit rating from Standard and Poor's Financial Services is BBB- with a negative outlook. Our credit rating from Fitch is BBB with a stable outlook. Our credit rating from Moody's Investor Service is Ba1 with a stable outlook. Any rating downgrades may result in additional letters of credit or cash collateral being posted under certain contractual arrangements.

### *Share Repurchase Program*

In December 2019, our Board of Directors approved a \$1.0 billion share repurchase program that expires on December 31, 2020. Through March 31, 2020, we had executed \$38 million of the authorized program. However, as the pricing and economic environment has deteriorated due to the COVID-19 pandemic and demand challenges for commodities, we have temporarily suspended our share repurchase program to preserve liquidity. Additionally, due to the amended terms of our Barnett Shale divestiture, we do not anticipate being able to purchase more than \$200 million of the \$1.0 billion authorization by the program expiration date. We will monitor economic conditions as they develop and may resume share repurchases of the remaining \$162 million, subject to the commodity price environment, the Company's liquidity and capital resources and other factors.

### **Critical Accounting Estimates**

#### *Income Taxes*

The amount of income taxes recorded requires interpretations of complex rules and regulations of federal, state, provincial and foreign tax jurisdictions. We recognize current tax expense based on estimated taxable income for the current period and the applicable statutory tax rates. We routinely assess potential uncertain tax positions and, if required, estimate and establish accruals for such amounts. We have recognized deferred tax assets and liabilities for temporary differences, operating losses and other tax carryforwards. We routinely assess our deferred tax assets and reduce such assets by a valuation allowance if we deem it is more likely than not that some portion or all of the deferred tax assets will not be realized. Due to an unprecedented downturn in the commodity price environment and the resulting asset impairments, Devon had significant deferred tax assets at March 31, 2020. Accordingly, we have reassessed the realizability of our deferred tax assets in future periods and have recorded a 100% valuation allowance against our net deferred tax assets.

#### *Valuation of Long-Lived Assets*

Long-lived assets used in operations, including proved and unproved oil and gas properties, are depreciated and assessed for impairment annually or whenever changes in facts and circumstances indicate a possible significant deterioration in future cash flows is expected to be generated by an asset group. For DD&A calculations and impairment assessments, management groups individual assets based on a judgmental assessment of the lowest level ("common operating field") for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets.

Management evaluates assets for impairment through an established process in which changes to significant assumptions such as prices, volumes and future development plans are reviewed. If, upon review, the sum of the undiscounted pre-tax cash flows is less than the carrying value of the asset group, the carrying value is written down to estimated fair value. Because there usually is a lack of quoted market prices for long-lived assets, the fair value of impaired assets is typically determined based on the present values of expected future cash flows using discount rates believed to be consistent with those used by principal market participants. The expected future cash flows used for impairment reviews and related fair value calculations are typically based on judgmental assessments of future production volumes, commodity prices, operating costs and capital investment plans, considering all available information at the date of review. The expected future cash flows used for impairment reviews include future production volumes associated with proved producing and risk-adjusted proved undeveloped, probable and possible reserves.

Besides the risk-adjusted estimates of reserves and future production volumes, future commodity prices are the largest driver in the variability of undiscounted pre-tax cash flows. For our impairment determinations, we historically have utilized NYMEX forward

strip prices for the first five years and applied internally generated price forecasts for subsequent years. In response to the COVID-19 pandemic, the NYMEX forward market became highly illiquid as evidenced by materially reduced trading volumes for periods beyond 2021. Therefore, we altered our price forecast assumptions to perform our March 31, 2020 impairment computations. Specifically, we supplemented the NYMEX forward strip prices with price forecasts published by reputable investment banks and reservoir engineering firms to estimate our future revenues as of March 31, 2020.

We also estimate and escalate or de-escalate future capital and operating costs by using a method that correlates cost movements to price movements similar to recent history. To measure indicated impairments, we use a market-based weighted-average cost of capital to discount the future net cash flows. Changes to any of the reserves or market-based assumptions can significantly effect estimates of undiscounted and discounted pre-tax cash flows and impact the recognition and amount of impairments.

Reduced demand from the COVID-19 pandemic and management of production levels from Saudi Arabia and Russia caused WTI to decrease more than 60% during the first quarter of 2020. As a result, we reduced our planned 2020 capital investment 45%. With materially lower commodity prices and reduced near-term investment, we assessed all our oil and gas fields for impairment as of March 31, 2020 and recognized proved and unproved impairments totaling \$2.8 billion. The impairments relate to our Anadarko Basin and Rockies fields in which our basis included acquisitions completed in 2016 and 2015, respectively, when commodity prices were much higher than they are today.

Based on our March 31, 2020 impairment evaluations, our Eagle Ford asset's sum of undiscounted pre-tax cash flows exceeds the carrying value by less than 10%. This cushion narrowed significantly since the end of 2019 due to lower benchmark pricing and wider differentials used to estimate future commodity pricing. If prices deteriorate further and/or management significantly reduces planned capital investment in the Eagle Ford field, our Eagle Ford asset could be subject to a material impairment of capitalized costs.

#### *Goodwill*

We test goodwill for impairment annually at October 31, or more frequently if events or changes in circumstances dictate that the carrying value of goodwill may not be recoverable. We perform a qualitative assessment to determine whether it is more likely than not that the fair value of goodwill is less than its carrying amount. As part of our qualitative assessment, we considered the general macro-economic, industry and market conditions, changes in cost factors, actual and expected financial performance, significant changes in management, strategy or customers and stock performance. If the qualitative assessment determines that a quantitative goodwill impairment test is required, then the fair value is compared to the carrying value. If the fair value is less than the carrying value, an impairment charge will be recognized for the amount by which the carrying amount exceeds the fair value. Because quoted market prices are not available, the fair value is estimated based upon a valuation analyses including comparable companies and transactions and premiums paid.

Because the trading price of our common stock decreased 73% during the first quarter of 2020 in response to the COVID-19 pandemic, we performed a goodwill impairment test as of March 31, 2020. While the cushion narrowed significantly since our last impairment evaluation, we concluded an impairment was not required as of March 31, 2020. The two most critical judgements included in the March 31, 2020, test were the period utilized to determine Devon's market capitalization and the control premium. For the test performed as of March 31, 2020, we derived our market capitalization by using our average common stock price from the latter two thirds of March 2020, to align with the time in the quarter subsequent to a key OPEC+ meeting and the date COVID-19 was officially classified as a pandemic. We applied a control premium based on recent comparable market transactions.

Subsequent to the end of the first quarter of 2020, Devon's common stock price increased approximately 80% during the month of April but remains significantly less than our average trading price before the events experienced in the first quarter of 2020. Although our common stock price and commodity prices are in a period of high volatility, a sustained period of depressed commodity prices would adversely affect our estimates of future operating results, which could result in future goodwill impairments due to the potential impact on the cash flows of our operations. The impairment of goodwill has no effect on liquidity or capital resources. However, it would adversely affect our results of operations in the period recognized.

For additional information regarding our critical accounting policies and estimates, see our [2019 Annual Report on Form 10-K](#).

**Non-GAAP Measures**

We make reference to “core earnings (loss) attributable to Devon” and “core earnings (loss) per share attributable to Devon” in “Overview of 2020 Results” in this Item 2 that are not required by or presented in accordance with GAAP. These non-GAAP measures are not alternatives to GAAP measures and should not be considered in isolation or as a substitute for analysis of our results reported under GAAP. Core earnings (loss) attributable to Devon, as well as the per share amount, represent net earnings excluding certain noncash and other items that are typically excluded by securities analysts in their published estimates of our financial results. For more information on the results of discontinued operations for our Barnett Shale asset and Canadian operations, see [Note 17](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report. Our non-GAAP measures are typically used as a quarterly performance measure. Amounts excluded relate to asset dispositions, noncash asset impairments (including noncash unproved asset impairments), deferred tax asset valuation allowance, fair value changes in derivative financial instruments and foreign currency, changes in tax legislation and restructuring and transaction costs associated with the workforce reductions in 2019.

We believe these non-GAAP measures facilitate comparisons of our performance to earnings estimates published by securities analysts. We also believe these non-GAAP measures can facilitate comparisons of our performance between periods and to the performance of our peers.

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

	Three Months Ended March 31,			
	Before tax	After tax	After Noncontrolling Interests	Per Diluted Share
<b>2020</b>				
<b>Continuing Operations</b>				
Loss attributable to Devon (GAAP)	\$ (2,107)	\$ (1,690)	\$ (1,691)	\$ (4.48)
Adjustments:				
Asset and exploration impairments	2,776	2,146	2,146	5.66
Deferred tax asset valuation allowance	—	108	108	0.28
Fair value changes in financial instruments	(619)	(479)	(479)	(1.24)
Change in tax legislation	—	(62)	(62)	(0.16)
Core earnings attributable to Devon (Non-GAAP)	<u>\$ 50</u>	<u>\$ 23</u>	<u>\$ 22</u>	<u>\$ 0.06</u>
<b>Discontinued Operations</b>				
Loss attributable to Devon (GAAP)	\$ (157)	\$ (125)	\$ (125)	\$ (0.34)
Adjustments:				
Asset impairments	179	141	141	0.38
Fair value changes in foreign currency and other	10	10	10	0.03
Core earnings attributable to Devon (Non-GAAP)	<u>\$ 32</u>	<u>\$ 26</u>	<u>\$ 26</u>	<u>\$ 0.07</u>
<b>Total</b>				
Loss attributable to Devon (GAAP)	\$ (2,264)	\$ (1,815)	\$ (1,816)	\$ (4.82)
Adjustments:				
Continuing Operations	2,157	1,713	1,713	4.54
Discontinued Operations	189	151	151	0.41
Core earnings attributable to Devon (Non-GAAP)	<u>\$ 82</u>	<u>\$ 49</u>	<u>\$ 48</u>	<u>\$ 0.13</u>
<b>2019</b>				
<b>Continuing Operations</b>				
Loss attributable to Devon (GAAP)	\$ (497)	\$ (378)	\$ (378)	\$ (0.89)
Adjustments:				
Asset dispositions	(45)	(35)	(35)	(0.08)
Asset and exploration impairments	1	1	1	0.00
Deferred tax asset valuation allowance	—	(13)	(13)	(0.03)
Fair value changes in financial instruments	638	492	492	1.15
Restructuring and transaction costs	51	39	39	0.09
Core earnings attributable to Devon (Non-GAAP)	<u>\$ 148</u>	<u>\$ 106</u>	<u>\$ 106</u>	<u>\$ 0.24</u>
<b>Discontinued Operations</b>				
Loss attributable to Devon (GAAP)	\$ 70	\$ 61	\$ 61	\$ 0.15
Adjustments:				
Asset dispositions	1	1	1	0.00
Deferred tax asset valuation allowance	—	(5)	(5)	(0.01)
Fair value changes in financial instruments and foreign currency and other	(3)	(8)	(8)	(0.03)
Restructuring and transaction costs	3	3	3	0.01
Core earnings attributable to Devon (Non-GAAP)	<u>\$ 71</u>	<u>\$ 52</u>	<u>\$ 52</u>	<u>\$ 0.12</u>
<b>Total</b>				
Loss attributable to Devon (GAAP)	\$ (427)	\$ (317)	\$ (317)	\$ (0.74)
Adjustments:				
Continuing Operations	645	484	484	1.13
Discontinued Operations	1	(9)	(9)	(0.03)
Core earnings attributable to Devon (Non-GAAP)	<u>\$ 219</u>	<u>\$ 158</u>	<u>\$ 158</u>	<u>\$ 0.36</u>



**EBITDAX and Field-Level Cash Margin**

To assess the performance of our assets, we use EBITDAX and Field-Level Cash Margin. We compute EBITDAX as net earnings from continuing operations before income tax expense; financing costs, net; exploration expenses; DD&A; asset impairments; asset disposition gains and losses; non-cash share-based compensation; non-cash valuation changes for derivatives and financial instruments; restructuring and transaction costs; accretion on discounted liabilities; and other items not related to our normal operations. Field-Level Cash Margin is computed as oil, gas and NGL revenues less production expenses. Production expenses consist of lease operating, gathering, processing and transportation expenses, as well as production and property taxes.

We exclude financing costs from EBITDAX to assess our operating results without regard to our financing methods or capital structure. Exploration expenses and asset disposition gains and losses are excluded from EBITDAX because they generally are not indicators of operating efficiency for a given reporting period. DD&A and impairments are excluded from EBITDAX because capital expenditures are evaluated at the time capital costs are incurred. We exclude share-based compensation, valuation changes, restructuring and transaction costs, accretion on discounted liabilities and other items from EBITDAX because they are not considered a measure of asset operating performance.

We believe EBITDAX and Field-Level Cash Margin provide information useful in assessing our operating and financial performance across periods. EBITDAX and Field-Level Cash Margin as defined by Devon may not be comparable to similarly titled measures used by other companies and should be considered in conjunction with net earnings from continuing operations.

Below are reconciliations of net earnings to EBITDAX and a further reconciliation to Field-Level Cash Margin.

	<b>Three Months Ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Net loss (GAAP)</b>	\$ (1,815)	\$ (317)
Net (earnings) loss from discontinued operations, net of tax	125	(61)
Financing costs, net	65	60
Income tax benefit	(417)	(119)
Exploration expenses	112	4
Depreciation, depletion and amortization	401	360
Asset impairments	2,666	—
Asset dispositions	—	(45)
Share-based compensation	20	23
Derivative and financial instrument non-cash valuation changes	(619)	638
Restructuring and transaction costs	—	51
Accretion on discounted liabilities and other	(48)	(22)
<b>EBITDAX (non-GAAP)</b>	<b>490</b>	<b>572</b>
Marketing and midstream revenues and expenses, net	18	(15)
Commodity derivative cash settlements	(101)	(34)
General and administration expenses, cash-based	82	112
<b>Field-level cash margin (non-GAAP)</b>	<b>\$ 489</b>	<b>\$ 635</b>

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

**Commodity Price Risk**

As of March 31, 2020, we have commodity derivatives that pertain to a portion of our estimated production for the last nine months of 2020, as well as for 2021. The key terms to our open oil, gas and NGL derivative financial instruments are presented in [Note 3](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

The fair values of our commodity derivatives are largely determined by the forward curves of the relevant price indices. At March 31, 2020, a 10% change in the forward curves associated with our commodity derivative instruments would have changed our net positions by approximately \$140 million.

**Interest Rate Risk**

As of March 31, 2020, we had total debt of \$4.3 billion. All of our debt is based on fixed interest rates averaging 6.0%.

**Foreign Currency Risk**

Devon has certain Canadian dollar obligations associated with its divested Canadian operations which are to be paid with the cash restricted for discontinued operations. These balances are remeasured using the applicable exchange rate as of the end of the reporting period. A 10% unfavorable change in the Canadian-to-U.S. dollar exchange rate would not have materially impacted our March 31, 2020 balance sheet for these items. See [Note 17](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report for additional information.

**Item 4. Controls and Procedures**

**Disclosure Controls and Procedures**

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

Based on their evaluation, our principal executive and principal financial officers have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective as of March 31, 2020 to ensure that the information required to be disclosed by Devon in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

**Changes in Internal Control Over Financial Reporting**

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

**PART II. Other Information**

**Item 1. Legal Proceedings**

We are involved in various legal proceedings incidental to our business. However, to our knowledge as of the date of this report, there were no material pending legal proceedings to which we are a party or to which any of our property is subject.

Please see our [2019 Annual Report on Form 10-K](#) and other SEC filings for additional information.

**Item 1A. Risk Factors**

Except for the addition of the pandemic risk factor discussed below, there have been no material changes to the information included in Item 1A. “Risk Factors” in our [2019 Annual Report on Form 10-K](#).

**Our Business Has Been Adversely Impacted by the COVID-19 Pandemic, and We May Experience Continuing or Worsening Adverse Effects From This or Other Pandemics**

*Commodity Price Impacts* – The COVID-19 pandemic and related economic repercussions have created significant volatility, uncertainty and turmoil in the oil and gas industry. This outbreak and the related responses of governmental authorities and others to limit the spread of the virus have significantly reduced global economic activity, resulting in an unprecedented decline in the demand for oil and other commodities. This supply-and-demand imbalance has been exacerbated by uncertainty regarding the future global supply of oil due to disputes between Russia and the members of OPEC, particularly Saudi Arabia. These factors caused a swift and material deterioration in commodity prices in early 2020, with NYMEX WTI oil prices falling from over \$60/Bbl at the beginning of the year to lower than \$20/Bbl as of April 2020. While OPEC and other oil producing nations agreed in April 2020 to cut production, downward pressure on commodity prices has remained and could continue for the foreseeable future. This decline in commodity prices has already adversely impacted our results of operations for the first quarter of 2020 and contributed to our recognition of a material asset impairment to our oil and gas assets during the same period. As further described in the “Risk Factors” section of our [2019 Annual Report on Form 10-K](#), any sustained weakness or further deterioration in commodity prices could further adversely impact our results of operations, the value of our properties and our financial condition.

The current supply-and-demand imbalance has also imposed constraints on Devon’s and other operators’ ability to store and move production to downstream markets, which has resulted in the delay or curtailment of development activity, as well as the shutting-in of producing wells. Moreover, certain regional prices have disproportionately declined relative to broader market indices in areas that have experienced acute takeaway capacity constraints, thereby potentially further reducing our realized pricing in such impacted areas. If we are forced to shut in additional production, we will likely incur greater costs to bring the associated production back online, and such costs may be significant enough that such wells may become non-economic at low commodity price levels, which may lead to decreases in our proved reserve estimates and potential impairments and associated charges to our earnings. If we are able to bring wells back online, there is no assurance that such wells will be as productive following recommencement as they were prior to being shut in.

*General Financial and Economic Impacts* - The negative effects of COVID-19 on economic prospects across the world have contributed to concerns for the potential of a prolonged economic slowdown and recession. Any such downturn, or a protracted period of depressed commodity prices, could have significant adverse consequences for our financial condition and liquidity, by, among other things: (i) limiting our ability to access sources of capital due to disruptions in financial markets or otherwise; and (ii) increasing the risk of a downgrade from credit rating agencies, which could trigger new credit support obligations and further adversely affect our ability to access financing or trade credit. Moreover, any such downturn could also result in similar financial constraints for our non-operating partners, purchasers of our production and other counterparties, thereby increasing the risk that such counterparties default on their obligations to us. Such defaults or more general supply chain disruptions due to the pandemic may also jeopardize the supply of materials, equipment or services for our operations. For additional information regarding liquidity and counterparty credit risks, please see the “Risk Factors” section of the [2019 Annual Report on Form 10-K](#).

*Other Impacts* - The COVID-19 pandemic and related restrictions aimed at mitigating its spread have caused us to modify certain of our business practices, including limiting employee travel, encouraging work-from-home practices and other social distancing measures. Such measures may cause disruptions to our business and operational plans, which may include shortages of employees, contractors and subcontractors. There is no certainty that these or any other future measures will be sufficient to mitigate the risks posed by the disease, including the risk of infection of key employees, and our ability to perform certain functions could be impaired by these new business practices. For example, our reliance on technology has necessarily increased due to our encouragement of remote communications and other work-from-home practices, which could make us more vulnerable to cyber attacks. See the “Risk Factors” section of the [2019 Annual Report on Form 10-K](#) for additional information regarding cyber attack risks.

The COVID-19 pandemic and its related effects continue to rapidly evolve. The ultimate extent of the impact of the COVID-19 pandemic and any other future pandemic on our business will depend on future developments, including, but not limited to, the nature, duration and spread of the disease, the responsive actions to contain its spread or address its effects and the duration, timing and severity of the related consequences on commodity prices and the economy more generally, including any recession resulting from the pandemic. Any extended period of depressed commodity prices or general economic disruption as a result of the pandemic would adversely affect our business, financial condition and results of operations. In addition, the COVID-19 pandemic has heightened, and any future pandemic could heighten, the other risks and uncertainties discussed in the “Risk Factors” section of the [2019 Annual Report on Form 10-K](#).

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

The following table provides information regarding purchases of our common stock that were made by us during the first quarter of 2020 (shares in thousands).

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs (2)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2)
January 1 - January 31	18	\$ 24.99	—	\$ 1,000
February 1 - February 29	2,175	\$ 18.71	1,568	\$ 973
March 1 - March 31	830	\$ 16.01	675	\$ 962
Total	3,023	\$ 18.00	2,243	

- (1) In addition to shares purchased under the share repurchase program described below, these amounts also included 780,000 shares received by us from employees for the payment of personal income tax withholding on vesting transactions.
- (2) On December 17, 2019, we announced a \$1.0 billion share repurchase program that has a December 31, 2020 expiration date. As of March 31, 2020, we had repurchased 2.2 million common shares for \$38 million, or \$16.85 per share, under our share repurchases program. Due to the amended terms of the Barnett Shale divestiture with BKV, we do not anticipate being able to repurchase more than \$200 million of the \$1.0 billion authorization by the program expiration date. As a result of the COVID-19 pandemic and related economic impacts, Devon has temporarily suspended its share repurchase program to preserve liquidity. Devon will monitor economic conditions as they develop and may resume share repurchases, subject to the commodity price environment, the Company’s liquidity and capital resources and other factors. Any such repurchases under the program may be made in open-market or private transactions or through the use of ASR programs. For additional information, see [Note 16](#) in “Part I. Financial Information – Item 1. Financial Statements” of this report.

Under the Devon Plan, eligible employees made purchases of shares of our common stock through an investment in the Devon Stock Fund, which is administered by an independent trustee. Eligible employees purchased approximately 5,800 shares of our common stock in the first quarter of 2020, at then-prevailing stock prices, that they held through their ownership in the Stock Fund. We acquired the shares of our common stock sold under the Devon Plan through open-market purchases.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

**Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

Not applicable.

**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Description</b>
10.1*	<a href="#">2020 Form of Notice of Grant of Restricted Stock Award and Award Agreement under the 2017 Long-Term Incentive Plan between Devon Energy Corporation and certain officers for restricted stock awarded (CEO and EVP form).</a>
10.2*	<a href="#">2020 Form of Notice of Grant of Performance Share Unit Award and Award Agreement under the 2017 Long-Term Incentive Plan between Devon Energy Corporation and certain officers for performance based restricted share units awarded (CEO and EVP form).</a>
10.3*	<a href="#">2020 Form of Notice of Grant of Restricted Stock Award and Award Agreement under the 2017 Long-Term Incentive Plan between Devon Energy Corporation and certain officers for restricted stock awarded (SVP form).</a>
10.4*	<a href="#">2020 Form of Notice of Grant of Performance Share Unit Award and Award Agreement under the 2017 Long-Term Incentive Plan between Devon Energy Corporation and certain officers for performance based restricted share units awarded (SVP form).</a>
31.1	<a href="#">Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2	<a href="#">Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1	<a href="#">Certification of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2	<a href="#">Certification of principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	Inline XBRL Instance Document – the XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

\*Indicates management contract or compensatory plan or arrangement.

**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.

Date: May 6, 2020

DEVON ENERGY CORPORATION

/s/ Jeremy D. Humphers

Jeremy D. Humphers

*Senior Vice President and Chief Accounting Officer*



Devon Energy Corporation  
ID: 73-1567067  
333 West Sheridan Avenue  
Oklahoma City, Oklahoma 73102-5015

**NOTICE OF GRANT OF RESTRICTED STOCK AWARD  
AND AWARD AGREEMENT**

Participant Name

Grant Date:  
Grant Type:  
Award No.:

Grant Date  
RSA  
Client Grant ID

Effective **Grant Date**, you have been granted a Restricted Stock Award of **Number of Shares Granted** shares of Devon Energy Corporation (the "Company") Common Stock that will vest over a period of time. 25% of the shares vest on each of the first four anniversary dates of the Grant Date, subject to the terms set forth herein.\* Shares are restricted until they vest. The following chart depicts the vesting schedule:

Anniversary of Grant Date	% of Shares to Vest
1 <sup>st</sup> Anniversary	25%
2 <sup>nd</sup> Anniversary	25%
3 <sup>rd</sup> Anniversary	25%
4 <sup>th</sup> Anniversary	25%

\*Vesting Schedule

By accepting this agreement online, you and the Company agree that this award is granted under and governed by the terms and conditions of the Company's 2017 Long-Term Incentive Plan and the Award Agreement, both of which are attached and made a part of this document.

**DEVON ENERGY CORPORATION  
2017 LONG-TERM INCENTIVE PLAN  
RESTRICTED STOCK AWARD AGREEMENT**

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

WITNESSETH:

WHEREAS, the Company has previously adopted the Devon Energy Corporation 2017 Long-Term Incentive Plan (the "Plan"); and

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

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

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

2. **Grant of Award.** The Company hereby grants to the Participant an award (the "Award") of **Number of Shares Granted** shares of the Company's Common Stock (the "Restricted Stock"), on the terms and conditions set forth herein and in the Plan.

3. **Terms of Award.**

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

(b) **Vesting.**

(i) 25% of the shares of the Restricted Stock are scheduled to vest on each of the first four anniversary dates of the Date of Grant (each, a "Vesting Date"). Except as provided in this Section 3, if the Participant's Date of Termination has not occurred as of a Vesting Date, then the Participant shall be entitled, subject to the applicable provisions of the Plan and this Award Agreement having been satisfied, to receive, on or within a reasonable time after the applicable Vesting Date, the shares scheduled to vest as of the applicable Vesting Date. The portion of the Restricted Stock that has vested pursuant to the terms of this Award Agreement shall be deemed "Vested Stock."

(ii) The Participant shall forfeit the unvested portion of the Award (including the underlying Restricted Stock and Accrued Dividends) upon the occurrence of the Participant's Date of Termination unless the Award becomes vested under the circumstances described in paragraphs (iii), (iv), or (v) below.

(iii) If (A) the Participant's Date of Termination occurs under circumstances in which the Participant is entitled to a severance payment from the Company, a Subsidiary, or an Affiliated Entity under (1) the Participant's employment agreement or severance agreement with the Company due to a termination of the Participant's employment by the Company without "cause" or by the Participant for "good reason" in accordance

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with the Participant's employment agreement or severance agreement or (2) the Devon Energy Corporation Severance Plan and (B) the Participant timely signs and returns to the Company a release of claims against the Company in a form prepared by the Company (the "Release"), the Restricted Stock shall become fully vested upon the date the Release becomes effective and the Restricted Stock shall be released within a reasonable time after the applicable Vesting Date. If the Participant fails to timely sign and return the Release to the Company or revokes the Release prior to the date the Release becomes effective, the unvested shares of Restricted Stock subject to this Award Agreement shall be forfeited.

(iv) The Restricted Stock 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. The Committee may in its sole and absolute discretion, elect to vest all or a portion of the unvested Restricted Stock upon the Participant's Date of Termination if the Participant's Date of Termination occurs by reason of disability or upon other special circumstances (as determined by the Committee and permitted pursuant to the Plan).

(v) If the Participant is Post-Retirement Vesting Eligible, the Participant shall, subject to the satisfaction of the conditions in Section 15, be eligible to vest in accordance with the Vesting Schedule above in Section 3(b), in the installments of Restricted Stock that remain unvested on the Date of Termination as follows:

Age at Retirement	Percentage of each Unvested Installment 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%

If (i) the Participant is Post-Retirement Vesting Eligible, (ii) the death of the Participant occurs following the Date of Termination, and (iii) no Non-Compliance Event has occurred prior to the date of the Participant's death, then any installments of Restricted Stock that remain unvested on the date of the Participant's death but in which the Participant was eligible to vest pursuant to this Section 3(b)(v) shall become fully vested upon the Participant's death.

(vi) If (1) the Award is eligible for vesting under the circumstances described in paragraphs (iii) (other than in connection with a Change in Control Event) or (v) above, and (2) the Participant's Date of Termination occurs before the one-year anniversary of the Date of Grant, then, notwithstanding such provisions in paragraphs (iii) and (v) above, the number of shares of Restricted Stock that would have otherwise vested pursuant to such provisions will be pro-rated based on the number of days from the Date of Grant to the Date of Termination out of 365.

(c) Voting Rights and Dividends. The Participant shall have all of the voting rights attributable to the shares of Restricted Stock. Any dividends declared and paid by the Company with respect to shares of Restricted Stock (the "Accrued Dividends") shall not be paid to the Participant until such Restricted Stock becomes Vested Stock. Accrued Dividends shall be held by the Company as a general obligation of the Company and paid to the Participant reasonably promptly following the time the underlying Restricted Stock becomes Vested Stock (but in no event later than March 15 of the calendar year following the year in which such vesting occurs).

(d) Vested Stock - Removal of Restrictions. Upon Restricted Stock becoming Vested Stock, all restrictions shall be removed from the certificates or book-entry registrations and the Participant shall be provided a confirmation of the release of such Vested Stock, representing such Vested Stock free and clear of all restrictions, except for any applicable securities laws restrictions. Reasonably promptly thereafter (but in no event later than

March 15 of the calendar year following the year in which such vesting occurs), the Participant shall receive a payment in the amount of all Accrued Dividends attributed to such Vested Stock without interest thereon.

4. Legend. The shares of Restricted Stock covered by the Award shall be subject to the restrictions described in the following legend, which shall appear on an individual certificate or book entry registration representing the Award:

“THE SHARES OF STOCK EVIDENCED BY THIS CERTIFICATE OR BOOK-ENTRY REGISTRATION ARE SUBJECT TO AND ARE TRANSFERABLE ONLY IN ACCORDANCE WITH THAT CERTAIN AWARD AGREEMENT DATED **Grant Date** UNDER THE DEVON ENERGY CORPORATION 2017 LONG-TERM INCENTIVE PLAN. ANY ATTEMPTED TRANSFER OF THE SHARES OF STOCK EVIDENCED BY THIS CERTIFICATE OR BOOK-ENTRY REGISTRATION IN VIOLATION OF SUCH AWARD AGREEMENT SHALL BE NULL AND VOID AND WITHOUT EFFECT. A COPY OF THE AWARD AGREEMENT MAY BE OBTAINED FROM THE SECRETARY OF DEVON ENERGY CORPORATION.”

5. Delivery of Forfeited Shares. The Participant authorizes the Secretary to deliver to the Company any and all shares of Restricted Stock that are forfeited under the provisions of this Award Agreement.

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

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

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 electronically, personally or mailed (U.S. mail) by the Company to the Participant at the then current address as maintained by the Company or such other address as the Participant may advise the Company in writing.

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

10. Company Policies. The Participant agrees that the Award, and the right to receive and/or retain any Vested Stock or cash payments covered by this Award, will be subject to any applicable clawback or recoupment policies, share trading policies and other policies that may be implemented from time to time by the Company’s Board of Directors, a duly authorized committee thereof or the Company, or as required by applicable law or any applicable securities exchange listings standards. By accepting this Award under the Plan, the Participant agrees and acknowledges that the Participant is obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup any Award or amounts paid under the Plan subject to clawback pursuant to such policy, law or standard. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup any Award or amounts paid pursuant to this Award.

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

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would result in an accounting charge to the Company with respect to such shares used to pay such taxes unless otherwise approved by the Committee.

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

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

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

15. Conditions to Post-Retirement Vesting.

(a) Notice of and Conditions to Post-Retirement Vesting. If the Participant is Post-Retirement Vesting Eligible, the Company shall, within a reasonable period of time prior to the Participant's Date of Termination, notify the Participant that the Participant has the right, pursuant to this Section 15(a), to continue to vest following the Date of Termination in any unvested installments of Restricted Stock (each such unvested installment, an "Installment"). The Participant shall have the right to vest in such Installments of Restricted Stock, provided that the Participant executes and delivers to the Company, with respect to each such Installment, the following documentation: (i) a non-disclosure letter agreement, in the form attached as Exhibit A (a "Non-Disclosure Agreement") and (ii) a compliance certificate, in the form attached as Exhibit B (a "Compliance Certificate") indicating the Participant's full compliance with the Non-Disclosure Agreement. For each such Installment, (x) a Non-Disclosure Agreement shall be provided to the Company no later than March 31 of the year that immediately precedes the scheduled Vesting Date or such Installment or, with respect to the first installment that is scheduled to occur following the Date of Termination, on or before the Date of Termination, and (y) a Compliance Certificate shall be provided to the Company no later than January 1 of the year in which the Vesting Date of such Installment is scheduled to occur. By way of illustration, if the Vesting Date of an Installment is scheduled to occur on February 1, a Non-Disclosure Agreement for such installment would need to be provided to the Company by no later than March 31 of the preceding year; *provided, however*, that if such Installment is the first Installment scheduled to occur following the Date of Termination, a Non-Disclosure Agreement for such installment would need to be provided on or before the Date of Termination. Further, under the foregoing illustration, a Compliance Certificate would be delivered by no later than January 1 of the year in which the Vesting Date of such Installment is scheduled to occur. Notwithstanding the foregoing and for the avoidance of doubt, at the Company's election, the Participant may deliver a single Non-Disclosure Agreement and Compliance Certificate, as applicable, for each year to satisfy the Participant's obligations under this Section and similar provisions in the Participant's other equity award agreements with the Company.

(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.

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

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

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

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

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

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

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

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

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

(i) "Installment" has the meaning set forth in Section 15(a).

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

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

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

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

(n) "Plan" has the meaning set forth in the recitals.

(o) "Post-Retirement Vesting Eligible" means the Participant's Date of Termination occurs (i) by reason of the Participant's retirement and (ii) on or after the earlier of the Participant's Early Retirement Date or the Participant's Normal Retirement Date, provided that, in connection with the Participant's termination of employment, the Committee has not otherwise affirmatively determined that the Participant shall not be Post-Retirement Vesting Eligible.

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

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

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

(s) "Year of Service" means a calendar year in which the Participant is employed with the Company, a Subsidiary or Affiliated Entity for at least nine months during such calendar year.

"COMPANY"

DEVON ENERGY CORPORATION  
a Delaware corporation

"PARTICIPANT"

**Participant Name**

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EXHIBIT A

Form of Non-Disclosure Agreement

[Insert Date]

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

Re: Non-Disclosure Agreement

Ladies and Gentlemen:

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

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

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

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

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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.

Notwithstanding the foregoing, nothing in this letter agreement is intended to conflict with the Defend Trade Secrets Act or create liability for disclosures of trade secrets that are expressly allowed by that statute. In particular, under the Defend Trade Secrets Act, the Participant will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret of the Company that is made (i) in confidence to a government official or to the Participant's attorney solely for the purpose of reporting or investigating a suspected violation of law or (ii) in a complaint or other document that is filed under seal in a proceeding. In addition, if the Participant files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Participant may disclose the trade secret to the Participant's attorney and use the trade secret information in the court proceeding if the Participant files any document containing the trade secret under seal and does not otherwise disclose the trade secret, except pursuant to court order. Further, nothing in this letter agreement or any other agreement or arrangement with the Company shall prohibit or restrict the Participant from making any voluntary disclosure of information or documents pertaining to violations of law to any governmental agency or legislative body, any self-regulatory organization, or the Legal Department of the Company without prior notice to the Company.

This letter agreement shall become effective upon execution by the Participant and the Company and shall terminate on March 31, 20\_\_\_. **[Note: Insert the year of the next scheduled Vesting Date of an installment. For example, if the letter agreement is executed on March 31, 2018, the termination date inserted in the preceding sentence would be March 31, 2019.]**

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

"PARTICIPANT"

Participant

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

"COMPANY"

DEVON ENERGY CORPORATION

By:  
Name:  
Title:

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EXHIBIT B

Form of Compliance Certificate

I hereby certify that I am in full compliance with the covenants contained in that certain letter agreement (the "Agreement") dated as of \_\_\_\_\_, \_\_\_\_ between Devon Energy Corporation and me and have been in full compliance with such covenants at all times during the period ending January 1, 20\_\_.

**Participant Name**

Dated:






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**NOTICE OF GRANT OF PERFORMANCE SHARE UNIT AWARD  
AND AWARD AGREEMENT**

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#ParticipantName#

Grant Date:

#GrantDate#

Grant Type:

PSU

Award No.:

#ClientGrantID#

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Effective **#GrantDate#**, you have been granted a target award of **#QuantityGranted#** Performance Share Units ("Award") under the Devon Energy Corporation 2017 Long-Term Incentive Plan. Each Performance Share Unit that vests entitles you to one share of Devon Energy Corporation (the "Company") Common Stock. The vesting of these Performance Share Units is determined pursuant to the following two-step process: (i) first, the maximum number of Performance Share Units in which you can vest shall be calculated based upon the Company's TSR (as defined in Schedule A of the Award Agreement) over the Performance Period (as defined in the Award Agreement), (ii) then, if the value (based on the fair market value of a share of Common Stock on the last day of the Performance Period) of the aggregate number of Performance Share Units calculated under clause (i) exceeds the Payout Value Limit described on Schedule A, the number of Performance Share Units calculated under clause (i) shall be reduced so that the value (based on the fair market value of a share of Common Stock on the last day of the Performance Period) of the total number of vested Performance Share Units is equal to the Payout Value Limit. The maximum number of Performance Share Units that you can earn based on clause (i) during the Performance Period will be calculated as follows: **#QuantityGranted#** x 200%, with actual payout based on the performance level achieved by the Company with respect to the Performance Goal set forth on Schedule A.

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

[\\*Vesting Schedule](#)

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**By accepting this agreement online, you and the Company agree that this award is granted under and governed by the terms and conditions of the Company's 2017 Long-Term Incentive Plan and the Award Agreement, both of which are attached and made a part of this document.**

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**DEVON ENERGY CORPORATION**  
**2017 LONG-TERM INCENTIVE PLAN**  
**PERFORMANCE SHARE UNIT AGREEMENT**

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

WITNESSETH:

WHEREAS, the Devon Energy Corporation 2017 Long-Term Incentive Plan (the "Plan") permits the grant of Performance Units (hereinafter referred to as "Performance Share Units") to employees, officers and non-employee directors of the Company and its Subsidiaries and Affiliated Entities, in accordance with the terms and provisions of the Plan; and

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

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

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

1. The Plan. The Plan, a copy of which is attached hereto, is hereby incorporated by reference herein and made a part hereof for all purposes, and when taken with this Award Agreement shall govern the rights of the Participant and the Company with respect to the Award.
  2. Grant of Award. The Company hereby grants to the Participant a target award (the "Award") of **#QuantityGranted#** Performance Share Units, on the terms and conditions set forth herein and in the Plan. Each Performance Share Unit that vests entitles the Participant to one share of Common Stock.
  3. Terms of Award.
    - (a) Performance Share Unit Account. The Company shall establish a bookkeeping account on its records for the Participant and shall credit the Participant's Performance Share Units to the bookkeeping account.
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(b) General Vesting Terms. Except as provided in this Section 3, the number of Performance Share Units which actually vest under this Agreement shall be determined pursuant to the following two-step process: (i) first, the maximum number of Performance Share Units in which the Participant can vest shall be calculated based on the attainment and certification of the Performance Goal described on Schedule A as of the end of the Performance Period, (ii) then, if the value (based on the fair market value of a share of Common Stock on the last day of the Performance Period) of the aggregate number of Performance Share Units calculated under clause (i) exceeds the Payout Value Limit described on Schedule A, the number of Units calculated under clause (i) shall be reduced so that the value (based on the fair market value of a share of Common Stock on the last day of the Performance Period) of the total number of vested Performance Share Units is equal to the Payout Value Limit. Any Performance Share Units that do not vest under the foregoing two-step process as of the end of the Performance Period shall be forfeited as of the end of the Performance Period. Except as specifically provided below in this Section 3, in the event of a termination of the Participant's employment prior to the end of the Performance Period, all unvested Performance Share Units will be immediately forfeited.

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

(d) If the Participant is Post-Retirement Vesting Eligible, the Participant shall vest in the maximum number of Performance Share Units in which the Participant could vest, based on the two-step process described in Section 3(b), as if the Participant remained in the employ of the Company through the end of the Performance Period, provided that, such continued vesting shall be subject to the satisfaction of the conditions in Section 13, and the Participant shall only be eligible to vest in accordance with the two-step process described in Section 3(b) with respect to the percentage of unvested Performance Share Units set forth in the table below.

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

(e) Performance Share Units shall continue to vest and the Participant shall vest in the maximum number of Performance Share Units in which the Participant could vest, based on the two-step process described in Section 3(b), as if the Participant remained in the employ of the Company through the end of the Performance Period following the Participant's Date of Termination that occurs under circumstances in which the Participant is entitled to a severance payment from the Company, a Subsidiary, or an Affiliated Entity under (A) the Participant's employment agreement or severance agreement with the Company due to a termination of the Participant's employment by the Company without "cause" or

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by the Participant for “good reason” in accordance with the Participant’s employment agreement or severance agreement or (B) the Devon Energy Corporation Severance Plan, provided that for a severance related termination, the Participant timely signs and returns to the Company a release of claims against the Company in a form prepared by the Company (the “Release”) and such Release becomes effective. If the Participant fails to timely sign and return the Release to the Company or revokes the Release prior to the date the Release becomes effective, the Performance Share Units (and Dividend Equivalents) subject to this Award Agreement shall be forfeited.

If (1) the Award is eligible for vesting under the circumstances described in sub-sections (d) or (e) (other than in connection with a Change in Control Event) above, and (2) the Participant’s Date of Termination occurs before the one-year anniversary of the Date of Grant, then, notwithstanding such provisions in sub-sections (d) and (e) above, the number of Performance Share Units that would have otherwise vested pursuant to such provisions will be pro-rated based on the number of days from the Date of Grant to the Date of Termination out of 365.

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

(g) Voting Rights and Dividend Equivalents. The Participant shall not have any voting rights with respect to the Performance Share Units. The Participant shall be credited with dividend equivalents (“Dividend Equivalents”) with respect to each outstanding Performance Share Unit to the extent that any dividends or other distributions (in cash or other property) are declared and/or paid with respect to the shares of Common Stock after the commencement of the Performance Period (other than distributions pursuant to a share split, for which an adjustment shall be made as described in Section 12.1 of the Plan). Dividend Equivalents shall be credited to the bookkeeping account established on the records of the Company for the Participant and will vest subject to the same conditions as are applicable to the underlying Performance Share Units, and Dividend Equivalents will be paid in cash to the Participant reasonably promptly following such vesting (but in no event later than March 15 of the calendar year following the year in which such vesting occurs). Accordingly, Dividend Equivalents shall be forfeited to the extent that the Performance Share Units do not vest and are forfeited or cancelled. No interest shall be credited on Dividend Equivalents.

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

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

(ii) In the event of the Participant’s death, payment in respect of earned and vested Performance Share Units shall be made as soon as reasonably practicable thereafter.

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

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

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

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

6. 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.

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

8. Company Policies. The Participant agrees that the Award, and the right to receive and/or retain any vested Performance Share Units or payments covered by this Award, will be subject to any applicable clawback or recoupment policies, share trading policies and other policies that may be implemented from time to time by the Company's Board of Directors, a duly authorized committee thereof or the Company, or as required by applicable law or any applicable securities exchange listings standards. By accepting this Award under the Plan, the Participant agrees and acknowledges that the Participant is obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup any Award or amounts paid under the Plan subject to clawback pursuant to such policy, law or standard. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup any Award or amounts paid pursuant to this Award.

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

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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 Dividend Equivalents) under the Plan and this Award Agreement, and the Participant or any other person shall have only the rights of a general unsecured creditor of the Company, its parent, if applicable, or a Subsidiary or Affiliated Entity with respect to any rights under the Plan or this Award Agreement.

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

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

13. Conditions to Post-Retirement Vesting.

(a) Notice of and Conditions to Post-Retirement Vesting. If the Participant is Post-Retirement Vesting Eligible, the Company shall, within a reasonable period of time prior to the Participant's Date of Termination, notify the Participant that the Participant has the right, pursuant to this Section 13(a), to continue to vest following the Date of Termination in any unvested Performance Share Units provided that the Participant executes and delivers to the Company the following documentation: (i) a non-disclosure letter agreement, in the form attached as Exhibit A (a "Non-Disclosure Agreement"), on or before the Date of Termination, and (ii) a compliance certificate, in the form attached as Exhibit B (a "Compliance Certificate"), indicating the Participant's full compliance with the Non-Disclosure Agreement, no later than the time(s) specified in similar provisions of the Participant's other equity award agreements with the Company or as may otherwise be required by the Committee. Notwithstanding the foregoing and for the avoidance of doubt, at the Company's election, the Participant may deliver a single Non-Disclosure Agreement and Compliance Certificate, as applicable, for each year to satisfy the Participant's obligations under this Section and similar provisions in the Participant's other equity award agreements with the Company.

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

14. Definitions. Words, terms or phrases used in this Award Agreement shall have the meaning set forth in this Section 14. Capitalized terms used in this Award Agreement but not defined herein shall have the meaning designated in the Plan.

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

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

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

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- (d) "Compliance Certificate" has the meaning set forth in Section 13(a).
- (e) "Date of Grant" has the meaning set forth in the preamble.
- (f) "Date of Termination" means the first day occurring on or after the Date of Grant on which the Participant is not employed by the Company, a Subsidiary, or an Affiliated Entity, regardless of the reason for the termination of employment; provided, however, that a termination of employment shall not be deemed to occur by reason of a transfer of the Participant between the Company, a Subsidiary, and an Affiliated Entity or between two Subsidiaries or two Affiliated Entities. The Participant's employment shall not be considered terminated while the Participant is on a leave of absence from the Company, a Subsidiary, or an Affiliated Entity approved by the Participant's employer pursuant to Company policies. If, as a result of a sale or other transaction, the Participant's employer ceases to be either a Subsidiary or an Affiliated Entity, and the Participant is not, at the end of the 30-day period following the transaction, employed by the Company or an entity that is then a Subsidiary or Affiliated Entity, then the date of occurrence of such transaction shall be treated as the Participant's Date of Termination.
- (g) "Dividend Equivalent" has the meaning set forth in Section 3(g).
- (h) "Early Retirement Date" means, with respect to the Participant, the first day of a month that occurs on or after the date the Participant (i) attains age 55 and (ii) earns at least 10 Years of Service.
- (i) "Non-Compliance Event" has the meaning set forth in Section 13(b).
- (j) "Non-Disclosure Agreement" has the meaning set forth in Section 13(a).
- (k) "Normal Retirement Date" means, with respect to the Participant, the first day of a month that occurs on or after the date the Participant attains age 65.
- (l) "Participant" has the meaning set forth in the preamble.
- (m) "Payout Value Limit" has the meaning set forth in Section 4 of Schedule A.
- (n) "Performance Goal" shall mean the performance goal specified on Schedule A which must be attained and certified in order to satisfy the first step of the two-step process for vesting in the shares of Common Stock subject to this Award.
- (o) "Performance Period" has the meaning set forth on Schedule A over which the attainment of the Performance Goal is to be measured.
- (p) "Performance Share Unit" the meaning set forth in the recitals.
- (q) "Plan" has the meaning set forth in the recitals.
- (r) "Post-Retirement Vesting Eligible" means the Participant's Date of Termination occurs (i) by reason of the Participant's retirement and (ii) on or after the earlier of the Participant's Early Retirement Date or the Participant's Normal Retirement Date, provided that, in connection with the Participant's termination of employment, the Committee has not otherwise affirmatively determined that the Participant shall not be Post-Retirement Vesting Eligible.
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(s) "Year of Service" means a calendar year in which the Participant is employed with the Company, a Subsidiary or Affiliated Entity for at least nine months during such calendar year.

"COMPANY"

DEVON ENERGY CORPORATION,  
a Delaware corporation

"PARTICIPANT"

**#ParticipantName#**

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**SCHEDULE A****PERFORMANCE GOAL, PERFORMANCE PERIOD AND PAYOUT VALUE LIMIT**

1. **Performance Period.** The maximum number of Performance Share Units in which Participant can vest pursuant to the Award shall be calculated based on the Performance Goal over a three-year Performance Period that begins January 1, 2020 and ends December 31, 2022 (the "Performance Period").

2. **Performance Goal.** The Performance Goal is based on total shareholder return ("TSR"). TSR shall mean the rate of return stockholders receive through stock price changes and the assumed reinvestment of dividends over the Performance Period. Vesting will be based on the Company's TSR ranking relative to the TSR ranking of the Peer Companies (identified in Section 3(c) below). At the end of the Performance Period, the TSR for the Company, and for each Peer Company, shall be determined pursuant to the following formula:

$$\text{TSR} = \frac{(\text{Closing Average Share Value} - \text{Opening Average Share Value}) + \text{Reinvested Dividends}}{\text{Opening Average Share Value}}$$

The result shall be rounded to the nearest hundredth of one percent (.01%).

(a) The term "Closing Average Share Value" means the average value of the common stock for the 30 trading days ending on the last day of the Performance Period, which shall be calculated as follows: (i) determine the closing price of the common stock on each trading date during 30-day period and (ii) average the amounts so determined for the 30-day period.

(b) The term "Opening Average Share Value" means the average value of the common stock for the 30 trading days preceding the start of the Performance Period, which shall be calculated as follows: (i) determine the closing price of the common stock on each trading date during the 30-day period and (ii) average the amounts so determined for the 30-day period.

(c) "Reinvested Dividends" shall be calculated by multiplying (i) the aggregate number of shares (including fractional shares) that could have been purchased during the Performance Period had each cash dividend paid on a single share during that period been immediately reinvested in additional shares (or fractional shares) at the closing selling price per share on the applicable ex-dividend date by (ii) the Closing Average Share Value.

(d) Each of the foregoing amounts shall be equitably adjusted for stock splits, stock dividends, recapitalizations and other similar events affecting the shares in question without the issuer's receipt of consideration.

3. **Vesting Schedule.** The Performance Share Units will vest pursuant to the Award, subject to application of the Payout Value Limit described in Section 4 below, based on the Company's relative TSR ranking in respect of the Performance Period as compared to the TSR ranking of the Peer Companies, in accordance with the following schedule:

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<u>Devon Energy Corporation</u> <u>Relative TSR Ranking</u>	<u>Vesting</u> <u>(Percentage of Target Award)</u>
1-2	200%
3	175%
4	150%
5	125%
6	100%
7	88%
8	75%
9	63%
10	50%
11-12	0%

(a) The maximum number of Performance Share Units that can vest for the Performance Period may range from 0% to 200% of the target Award, with the actual percentage to be determined on the basis of the percentile level at which the Committee certifies that the Performance Goal has been attained in relation to the corresponding Performance Goal for Peer Companies for the Performance Period; provided however, that the maximum number of Performance Share Units that may become earned and vested during such Performance Period will be calculated as follows: **#QuantityGranted#** x 200%. The Committee retains sole discretion to reduce the vesting percentage (and thus the maximum number of Performance Share Units that may vest), including reduction to zero, without regard to the performance of the Company's TSR relative to the TSR of the Peer Companies. In addition, vesting of Performance Share Units shall be subject to the Payout Value Limit described in Section 4 below.

(b) If the Company's final TSR value is equal to the TSR value of a Peer Company, the Committee shall assign the Company the higher ranking.

(c) In addition to the Company, the Peer Companies are Apache Corporation, Chesapeake Energy Corporation, Cimarex Energy Co., Concho Resources Inc., Continental Resources, Inc., EnCana Corporation (or, for the avoidance of doubt and if applicable, Ovintiv, Inc.), EOG Resources, Inc., Marathon Oil Corporation, Noble Energy, Inc., Pioneer Natural Resources Company, and WPX Energy, Inc.

(d) The Peer Companies will be subject to change as follows:

(i) In the event of a merger, acquisition or business combination transaction of a Peer Company, in which the Peer Company is the surviving entity and remains publicly traded, the surviving entity shall remain a Peer Company. Any entity involved in the transaction that is not the surviving company shall no longer be a Peer Company.

(ii) If a Peer Company ceases to be a publicly traded company at any time during the Performance Period, for any reason, such company shall remain a Peer Company but shall be deemed to have a TSR of negative 100% (-100%).

4. Reduction; Pro-rata vesting. If the value (based on the fair market value of a share of Common Stock on the last day of the Performance Period) of the aggregate number of Performance Share

Units that vest pursuant to the Award based on Sections 1-3 of this Schedule A exceeds the Payout Value Limit, then the maximum number of vested Performance Share Units calculated under Sections 1-3 of this Schedule A shall be reduced so that the value (based on the fair market value of a share of Common Stock on the last day of the Performance Period) of the total number of Performance Share Units that vest pursuant to the Award is equal to the Payout Value Limit. The "Payout Value Limit" shall be equal to the product of (a) the fair market value of a share of Common Stock on the first day of the Performance Period, times (b) the target number of Units subject to the Award, times (c) four.

In addition, in the event the pro-ration terms of Section 3(e) of the Award Agreement apply, then the number of Performance Share Units that vest pursuant to the Award based on Sections 1-3 of this Schedule A will be pro-rated based on the number of days from the Date of Grant to the Date of Termination out of 365.

5. General Vesting Terms. Any fractional Performance Share Unit resulting from the vesting of the Performance Share Units in accordance with the Award Agreement shall be rounded down to the nearest whole number. Any portion of the Performance Share Units that does not vest as of the end of the Performance Period shall be forfeited as of the end of the Performance Period.

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EXHIBIT A

Form of Non-Disclosure Agreement

[Insert Date]

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

Re: Non-Disclosure Agreement

Ladies and Gentlemen:

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

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

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

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

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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.

Notwithstanding the foregoing, nothing in this letter agreement is intended to conflict with the Defend Trade Secrets Act or create liability for disclosures of trade secrets that are expressly allowed by that statute. In particular, under the Defend Trade Secrets Act, the Participant will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret of the Company that is made (i) in confidence to a government official or to the Participant's attorney solely for the purpose of reporting or investigating a suspected violation of law or (ii) in a complaint or other document that is filed under seal in a proceeding. In addition, if the Participant files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Participant may disclose the trade secret to the Participant's attorney and use the trade secret information in the court proceeding if the Participant files any document containing the trade secret under seal and does not otherwise disclose the trade secret, except pursuant to court order. Further, nothing in this letter agreement or any other agreement or arrangement with the Company shall prohibit or restrict the Participant from making any voluntary disclosure of information or documents pertaining to violations of law to any governmental agency or legislative body, any self-regulatory organization, or the Legal Department of the Company without prior notice to the Company.

This letter agreement shall become effective upon execution by the Participant and the Company and shall terminate on December 31, 20\_\_\_. **[Note: Insert date that is the end of the 2020-2022 Performance Period.]**

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

"PARTICIPANT"

**#ParticipantName#**

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

"COMPANY"

DEVON ENERGY CORPORATION

By:  
Name:  
Title:

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EXHIBIT B

Form of Compliance Certificate

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

**#ParticipantName#**

Dated:



Devon Energy Corporation  
ID: 73-1567067  
333 West Sheridan Avenue  
Oklahoma City, Oklahoma 73102-5015

**NOTICE OF GRANT OF RESTRICTED STOCK AWARD  
AND AWARD AGREEMENT**

Participant Name

Grant Date:  
Grant Type:  
Award No.:

Grant Date  
RSA  
Client Grant ID

Effective **Grant Date**, you have been granted a Restricted Stock Award of **Number of Shares Granted** shares of Devon Energy Corporation (the "Company") Common Stock that will vest over a period of time. 25% of the shares vest on each of the first four anniversary dates of the Grant Date, subject to the terms set forth herein.\* Shares are restricted until they vest. The following chart depicts the vesting schedule:

Anniversary of Grant Date	% of Shares to Vest
1st Anniversary	25%
2nd Anniversary	25%
3rd Anniversary	25%
4th Anniversary	25%

\*Vesting Schedule

By accepting this agreement online, you and the Company agree that this award is granted under and governed by the terms and conditions of the Company's 2017 Long-Term Incentive Plan and the Award Agreement, both of which are attached and made a part of this document.

**DEVON ENERGY CORPORATION**  
**2017 LONG-TERM INCENTIVE PLAN**  
**RESTRICTED STOCK AWARD AGREEMENT**

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

W I T N E S S E T H:

WHEREAS, the Company has previously adopted the Devon Energy Corporation 2017 Long-Term Incentive Plan (the "Plan"); and

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

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

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

2. Grant of Award. The Company hereby grants to the Participant an award (the "Award") of **Number of Shares Granted** shares of the Company's Common Stock (the "Restricted Stock"), on the terms and conditions set forth herein and in the Plan.

3. Terms of Award.

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

(b) Vesting.

(i) 25% of the shares of the Restricted Stock are scheduled to vest on each of the first four anniversary dates of the Date of Grant (each, a "Vesting Date"). Except as provided in this Section 3, if the Participant's Date of Termination has not occurred as of a Vesting Date, then the Participant shall be entitled, subject to the applicable provisions of the Plan and this Award Agreement having been satisfied, to receive, on or within a reasonable time after the applicable Vesting Date, the shares scheduled to vest as of the applicable Vesting Date. The portion of the Restricted Stock that has vested pursuant to the terms of this Award Agreement shall be deemed "Vested Stock."

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(ii) The Participant shall forfeit the unvested portion of the Award (including the underlying Restricted Stock and Accrued Dividends) upon the occurrence of the Participant's Date of Termination unless the Award becomes vested under the circumstances described in paragraphs (iii), (iv), or (v) below.

(iii) If (A) the Participant's Date of Termination occurs under circumstances in which the Participant is entitled to a severance payment from the Company, a Subsidiary, or an Affiliated Entity under (1) the Participant's employment agreement or severance agreement with the Company due to a termination of the Participant's employment by the Company without "cause" or by the Participant for "good reason" in accordance with the Participant's employment agreement or severance agreement or (2) the Devon Energy Corporation Severance Plan and (B) the Participant timely signs and returns to the Company a release of claims against the Company in a form prepared by the Company (the "Release"), the Restricted Stock shall become fully vested upon the date the Release becomes effective and the Restricted Stock shall be released within a reasonable time after the applicable Vesting Date. If the Participant fails to timely sign and return the Release to the Company or revokes the Release prior to the date the Release becomes effective, the unvested shares of Restricted Stock subject to this Award Agreement shall be forfeited.

(iv) The Restricted Stock 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. The Committee may, in its sole and absolute discretion, elect to vest all or a portion of the unvested Restricted Stock upon the Participant's Date of Termination if the Participant's Date of Termination occurs by reason of disability or upon other special circumstances (as determined by the Committee and permitted pursuant to the Plan).

(v) If the Participant is Post-Retirement Vesting Eligible, the Participant shall, subject to the satisfaction of the conditions in Section 15, be eligible to vest in accordance with the Vesting Schedule above in Section 3(b), in the installments of the Restricted Stock that remain unvested on the Date of Termination. If (i) the Participant is Post-Retirement Vesting Eligible, (ii) the death of the Participant occurs following the Date of Termination, and (iii) no Non-Compliance Event has occurred prior to the date of the Participant's death, then any installments of Restricted Stock that remain unvested on the date of the Participant's death but in which the Participant was eligible to vest pursuant to this Section 3(b)(v) shall become fully vested upon the Participant's death.

(vi) If (1) the Award is eligible for vesting under the circumstances described in paragraphs (iii) (other than in connection with a Change in Control Event) or (v) above, and (2) the Participant's Date of Termination occurs before the one-year anniversary of the Date of Grant, then, notwithstanding such provisions in paragraphs (iii) and (v) above, the number of shares of Restricted Stock that would have otherwise vested pursuant to such provisions will be pro-rated based on the number of days from the Date of Grant to the Date of Termination out of 365.

(c) Voting Rights and Dividends. The Participant shall have all of the voting rights attributable to the shares of Restricted Stock. Any dividends declared and paid by the Company with respect to shares of Restricted Stock (the "Accrued Dividends") shall not be paid to the Participant until such Restricted Stock becomes Vested Stock. Accrued Dividends shall be held by the Company as a general obligation of the Company and paid to the Participant reasonably promptly following the time the

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underlying Restricted Stock becomes Vested Stock (but in no event later than March 15 of the calendar year following the calendar year in which such vesting occurs).

(d) Vested Stock - Removal of Restrictions. Upon Restricted Stock becoming Vested Stock, all restrictions shall be removed from the certificates or book-entry registrations and the Participant shall be provided a confirmation of the release of such Vested Stock, representing such Vested Stock free and clear of all restrictions, except for any applicable securities laws restrictions. Reasonably promptly thereafter (but in no event later than March 15 of the calendar year following the calendar year in which such vesting occurs), the Participant shall receive a payment in the amount of all Accrued Dividends attributed to such Vested Stock without interest thereon.

4. Legend. The shares of Restricted Stock covered by the Award shall be subject to the restrictions described in the following legend, which shall appear on any individual certificate or book-entry registration representing the Award:

“THE SHARES OF STOCK EVIDENCED BY THIS CERTIFICATE OR BOOK-ENTRY REGISTRATION ARE SUBJECT TO AND ARE TRANSFERABLE ONLY IN ACCORDANCE WITH THAT CERTAIN AWARD AGREEMENT DATED **Grant Date** UNDER THE DEVON ENERGY CORPORATION 2017 LONG-TERM INCENTIVE PLAN. ANY ATTEMPTED TRANSFER OF THE SHARES OF STOCK EVIDENCED BY THIS CERTIFICATE OR BOOK-ENTRY REGISTRATION IN VIOLATION OF SUCH AWARD AGREEMENT SHALL BE NULL AND VOID AND WITHOUT EFFECT. A COPY OF THE AWARD AGREEMENT MAY BE OBTAINED FROM THE SECRETARY OF DEVON ENERGY CORPORATION.”

5. Delivery of Forfeited Shares. The Participant authorizes the Secretary to deliver to the Company any and all shares of Restricted Stock that are forfeited under the provisions of this Award Agreement.

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

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

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 electronically, personally or mailed (U.S. mail) by the Company to the Participant at the then current address as maintained by the Company or such other address as the Participant may advise the Company in writing.

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

10. Company Policies. The Participant agrees that the Award, and the right to receive and/or retain any Vested Stock or cash payments covered by this Award, will be subject to any applicable clawback or recoupment policies, share trading policies and other policies that may be implemented from



time to time by the Company's Board of Directors, a duly authorized committee thereof or the Company, or as required by applicable law or any applicable securities exchange listings standards. By accepting this Award under the Plan, the Participant agrees and acknowledges that the Participant is obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup any Award or amounts paid under the Plan subject to clawback pursuant to such policy, law or standard. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup any Award or amounts paid pursuant to this Award.

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

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

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

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

15. Conditions to Post-Retirement Vesting.

(a) Notice of and Conditions to Post-Retirement Vesting. If the Participant is Post-Retirement Vesting Eligible, the Company shall, within a reasonable period of time prior to the Participant's Date of Termination, notify the Participant that the Participant has the right, pursuant to this Section 15(a), to continue to vest following the Date of Termination in any unvested installments of Restricted Stock (each such unvested installment, an "Installment"). The Participant shall have the right to vest in such Installments of Restricted Stock, provided that the Participant executes and delivers to the Company, with respect to each such Installment, the following documentation: (i) a non-disclosure letter agreement, in the form attached as Exhibit A (a "Non-Disclosure Agreement") and (ii) a compliance certificate, in the form attached as Exhibit B (a "Compliance Certificate") indicating the Participant's full compliance with the Non-Disclosure Agreement. For each such Installment, (x) a Non-Disclosure Agreement shall be provided to the Company no later than March 31 of the year that immediately precedes the scheduled Vesting Date of such Installment or, with respect to the first Installment that is scheduled to occur following the Date of Termination, on or before the Date of Termination, and (y) a

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Compliance Certificate shall be provided to the Company no later than January 1 of the year in which the Vesting Date of such Installment is scheduled to occur. By way of illustration, if the Vesting Date of an Installment is scheduled to occur on February 1, a Non-Disclosure Agreement for such Installment would need to be provided to the Company by no later than March 31 of the preceding year; *provided, however, that* if such Installment is the first Installment scheduled to occur following the Date of Termination, a Non-Disclosure Agreement for such Installment would need to be provided on or before the Date of Termination. Further, under the foregoing illustration, a Compliance Certificate would be delivered by no later than January 1 of the year in which the Vesting Date of such Installment is scheduled to occur. Notwithstanding the foregoing and for the avoidance of doubt, at the Company's election, the Participant may deliver a single Non-Disclosure Agreement and Compliance Certificate, as applicable, for each year to satisfy the Participant's obligations under this Section and similar provisions in the Participant's other equity award agreements with the Company.

(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.

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

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

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

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

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

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

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

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

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Entity, then the date of occurrence of such transaction shall be treated as the Participant's Date of Termination.

- (h) "Installment" has the meaning set forth in Section 15(a).
- (i) "Non-Compliance Event" has the meaning set forth in Section 15(b).
- (j) "Non-Disclosure Agreement" has the meaning set forth in Section 15(a).
- (k) "Participant" has the meaning set forth in the preamble.
- (l) "Plan" has the meaning set forth in the recitals.

(m) "Post-Retirement Vesting Eligible" means the Participant's Date of Termination occurs (i) by reason of the Participant's retirement and (ii) on or after the first day of a month that occurs on or after the Participant attains age 60 and earns at least 20 Years of Service, provided that, in connection with the Participant's termination, the Committee has not otherwise affirmatively determined that the Participant shall not be Post-Retirement Vesting Eligible.

- (n) "Restricted Stock" has the meaning set forth in Section 2.
- (o) "Vested Stock" has the meaning set forth in Section 3(b).
- (p) "Vesting Date" has the meaning set forth in Section 3(b).

(q) "Year of Service" means a calendar year in which the Participant is employed with the Company, a Subsidiary or Affiliated Entity for at least nine months during such calendar year.

"COMPANY" DEVON ENERGY CORPORATION,  
a Delaware corporation

"PARTICIPANT" **Participant Name**

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EXHIBIT A

Form of Non-Disclosure Agreement

[Insert Date]

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

Re: Non-Disclosure Agreement

Ladies and Gentlemen:

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

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

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

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

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

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doing business with the Company, or (ii) solicit any of the employees of the Company to cease employment with the Company.

Notwithstanding the foregoing, nothing in this letter agreement is intended to conflict with the Defend Trade Secrets Act or create liability for disclosures of trade secrets that are expressly allowed by that statute. In particular, under the Defend Trade Secrets Act, the Participant will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret of the Company that is made (i) in confidence to a government official or to the Participant's attorney solely for the purpose of reporting or investigating a suspected violation of law or (ii) in a complaint or other document that is filed under seal in a proceeding. In addition, if the Participant files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Participant may disclose the trade secret to the Participant's attorney and use the trade secret information in the court proceeding if the Participant files any document containing the trade secret under seal and does not otherwise disclose the trade secret, except pursuant to court order. Further, nothing in this letter agreement or any other agreement or arrangement with the Company shall prohibit or restrict the Participant from making any voluntary disclosure of information or documents pertaining to violations of law to any governmental agency or legislative body, any self-regulatory organization, or the Legal Department of the Company without prior notice to the Company.

This letter agreement shall become effective upon execution by the Participant and the Company and shall terminate on March 31, 20\_\_\_. **[Note: Insert the year of the next scheduled Vesting Date of an Installment. For example, if the letter agreement is executed on March 31, 2018, the termination date inserted in the preceding sentence would be March 31, 2019.]**

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

"PARTICIPANT"

**Participant Name**

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

"COMPANY"

DEVON ENERGY CORPORATION

By:  
Name:  
Title:

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EXHIBIT B

Form of Compliance Certificate

I hereby certify that I am in full compliance with the covenants contained in that certain letter agreement (the "Agreement") dated as of \_\_\_\_\_, \_\_\_\_ between Devon Energy Corporation and me and have been in full compliance with such covenants at all times during the period ending January 1, 20\_\_\_\_\_.

**Participant Name**

Dated:





**NOTICE OF GRANT OF PERFORMANCE SHARE UNIT AWARD  
AND AWARD AGREEMENT**

#ParticipantName#

Grant Date:  
Grant Type:  
Award No.:

#GrantDate#  
PSU  
#ClientGrantID#

Effective #GrantDate#, you have been granted a target award of #QuantityGranted# Performance Share Units ("Award") under the Devon Energy Corporation 2017 Long-Term Incentive Plan. Each Performance Share Unit that vests entitles you to one share of Devon Energy Corporation (the "Company") Common Stock. The vesting of these Performance Share Units is determined pursuant to the following two-step process: (i) first, the maximum number of Performance Share Units in which you can vest shall be calculated based upon the Company's TSR (as defined in Schedule A of the Award Agreement) over the Performance Period (as defined in the Award Agreement), (ii) then, if the value (based on the fair market value of a share of Common Stock on the last day of the Performance Period) of the aggregate number of Performance Share Units calculated under clause (i) exceeds the Payout Value Limit described on Schedule A, the number of Performance Share Units calculated under clause (i) shall be reduced so that the value (based on the fair market value of a share of Common Stock on the last day of the Performance Period) of the total number of vested Performance Share Units is equal to the Payout Value Limit. The maximum number of Performance Share Units that you can earn based on clause (i) during the Performance Period will be calculated as follows: #QuantityGranted# x 200%, with actual payout based on the performance level achieved by the Company with respect to the Performance Goal set forth on Schedule A.

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

\*Vesting Schedule

**By accepting this agreement online, you and the Company agree that this award is granted under and governed by the terms and conditions of the Company's 2017 Long-Term Incentive Plan and the Award Agreement, both of which are attached and made a part of this document.**

**DEVON ENERGY CORPORATION**  
**2017 LONG-TERM INCENTIVE PLAN**  
**PERFORMANCE SHARE UNIT AGREEMENT**

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

WITNESSETH:

WHEREAS, the Devon Energy Corporation 2017 Long-Term Incentive Plan, (the "Plan") permits the grant of Performance Units (hereinafter referred to as "Performance Share Units") to employees, officers and non-employee directors of the Company and its Subsidiaries and Affiliated Entities, in accordance with the terms and provisions of the Plan; and

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

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

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

1. The Plan. The Plan, a copy of which is attached hereto, is hereby incorporated by reference herein and made a part hereof for all purposes, and when taken with this Award Agreement shall govern the rights of the Participant and the Company with respect to the Award.
  2. Grant of Award. The Company hereby grants to the Participant a target award (the "Award") of **#QuantityGranted#** Performance Share Units, on the terms and conditions set forth herein and in the Plan. Each Performance Share Unit that vests entitles the Participant to one share of Common Stock.
  3. Terms of Award.
    - (a) Performance Share Unit Account. The Company shall establish a bookkeeping account on its records for the Participant and shall credit the Participant's Performance Share Units to the bookkeeping account.
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(b) General Vesting Terms. Except as provided in this Section 3, the number of Performance Share Units which actually vest under this Agreement shall be determined pursuant to the following two-step process: (i) first, the maximum number of Performance Share Units in which the Participant can vest shall be calculated based on the attainment and certification of the Performance Goal described on Schedule A as of the end of the Performance Period, (ii) then, if the value (based on the fair market value of a share of Common Stock on the last day of the Performance Period) of the aggregate number of Performance Share Units calculated under clause (i) exceeds the Payout Value Limit described on Schedule A, the number of Units calculated under clause (i) shall be reduced so that the value (based on the fair market value of a share of Common Stock on the last day of the Performance Period) of the total number of vested Performance Share Units is equal to the Payout Value Limit. Any Performance Share Units that do not vest under the foregoing two-step process as of the end of the Performance Period shall be forfeited as of the end of the Performance Period. Except as specifically provided below in this Section 3, in the event of a termination of the Participant's employment prior to the end of the Performance Period, all unvested Performance Share Units will be immediately forfeited.

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

(d) If the Participant is Post-Retirement Vesting Eligible, the Performance Share Units shall continue to vest based on the two-step process described in Section 3(b), as if the Participant remained in the employ of the Company through the end of the Performance Period, subject to satisfaction of the conditions in Section 13.

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

If (1) the Award is eligible for vesting under the circumstances described in sub-sections (d) or (e) (other than in connection with a Change in Control Event) above, and (2) the Participant's Date of Termination occurs before the one-year anniversary of the Date of Grant, then, notwithstanding such provisions in sub-sections (d) and (e) above, the number of Performance Share Units that would have otherwise vested pursuant to such provisions will be prorated based on the number of days from the Date of Grant to the Date of Termination out of 365.

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

(g) Voting Rights and Dividend Equivalents. The Participant shall not have any voting rights with respect to the Performance Share Units. The Participant shall be credited with dividend equivalents ("Dividend Equivalents") with respect to each outstanding Performance Share Unit to the extent that any dividends or other distributions (in cash or other property) are declared and/or paid with respect to the shares of Common Stock after the commencement of the Performance Period (other than distributions pursuant to a share split, for which an adjustment shall be made as described in Section 12.1 of the Plan). Dividend Equivalents shall be credited to the bookkeeping account established on the records of the Company for the Participant and will vest subject to the same conditions as are applicable to the underlying Performance Share Units, and Dividend Equivalents will be paid in cash to the Participant reasonably promptly following such vesting (but in no event later than March 15 of the calendar year following the calendar year in which such vesting occurs). Accordingly, Dividend Equivalents shall be forfeited to the extent that the Performance Share Units do not vest and are forfeited or cancelled. No interest shall be credited on Dividend Equivalents.

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

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

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

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

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

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

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

6. 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.

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

8. Company Policies. The Participant agrees that the Award, and the right to receive and/or retain any vested Performance Share Units or payments covered by this Award, will be subject to any applicable clawback or recoupment policies, share trading policies and other policies that may be implemented from time to time by the Company's Board of Directors, a duly authorized committee thereof or the Company, or as required by applicable law or any applicable securities exchange listings standards. By accepting this Award under the Plan, the Participant agrees and acknowledges that the Participant is obligated to cooperate with, and provide any and all assistance necessary to, the Company to recover or recoup any Award or amounts paid under the Plan subject to clawback pursuant to such policy, law or standard. Such cooperation and assistance shall include, but is not limited to, executing, completing and submitting any documentation necessary to recover or recoup any Award or amounts paid pursuant to this Award.

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

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 Dividend Equivalents) under the Plan and this Award Agreement, and the Participant or any other person shall have only the rights of a general unsecured creditor of the Company, its parent, if applicable, or a Subsidiary or Affiliated Entity with respect to any rights under the Plan or this Award Agreement.

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

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

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13. Conditions to Post-Retirement Vesting.

(a) Notice of and Conditions to Post-Retirement Vesting. If the Participant is Post-Retirement Vesting Eligible, the Company shall, within a reasonable period of time prior to the Participant's Date of Termination, notify the Participant that the Participant has the right, pursuant to this Section 13(a), to continue to vest following the Date of Termination in any unvested Performance Share Units provided that the Participant executes and delivers to the Company the following documentation: (i) a non-disclosure letter agreement, in the form attached as Exhibit A (a "Non-Disclosure Agreement"), on or before the Date of Termination, and (ii) a compliance certificate, in the form attached as Exhibit B (a "Compliance Certificate"), indicating the Participant's full compliance with the Non-Disclosure Agreement, no later than the time(s) specified in similar provisions of the Participant's other equity award agreements with the Company or as may otherwise be required by the Committee. Notwithstanding the foregoing and for the avoidance of doubt, at the Company's election, the Participant may deliver a single Non-Disclosure Agreement and Compliance Certificate, as applicable, for each year to satisfy the Participant's obligations under this Section and similar provisions in the Participant's other equity award agreements with the Company.

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

14. Definitions. Words, terms or phrases used in this Award Agreement shall have the meaning set forth in this Section 14. Capitalized terms used in this Award Agreement but not defined herein shall have the meaning designated in the Plan.

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

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

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

(d) "Compliance Certificate" has the meaning set forth in Section 13(a).

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

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

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Entity, then the date of occurrence of such transaction shall be treated as the Participant's Date of Termination.

- (g) "Dividend Equivalent" has the meaning set forth in Section 3(g).
- (h) "Non-Compliance Event" has the meaning set forth in Section 13(b).
- (i) "Non-Disclosure Agreement" has the meaning set forth in Section 13(a).
- (j) "Participant" has the meaning set forth in the preamble.
- (k) "Payout Value Limit" has the meaning set forth in Section 4 of Schedule A.
- (l) "Performance Goal" shall mean the performance goal specified on Schedule A which must be attained and certified in order to satisfy the first step of the two-step process for vesting in the shares of Common Stock subject to this Award.
- (m) "Performance Period" has the meaning set forth on Schedule A over which the attainment of the Performance Goal is to be measured.
- (n) "Performance Share Unit" the meaning set forth in the recitals.
- (o) "Plan" has the meaning set forth in the recitals.
- (p) "Post-Retirement Vesting Eligible" means the Participant's Date of Termination occurs (i) by reason of the Participant's retirement and (ii) on or after the first day of a month that occurs on or after the date the Participant attains age 60 and earns at least 20 Years of Service, provided that, in connection with the Participant's termination, the Committee has not otherwise affirmatively determined that the Participant shall not be Post-Retirement Vesting Eligible.
- (q) "Year of Service" means a calendar year in which the Participant is employed with the Company, a Subsidiary or Affiliated Entity for at least nine months during such calendar year.

"COMPANY"

DEVON ENERGY CORPORATION,  
a Delaware corporation

"PARTICIPANT"

**#ParticipantName#**

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**SCHEDULE A**

**PERFORMANCE GOAL, PERFORMANCE PERIOD AND PAYOUT VALUE LIMIT**

1. Performance Period. The maximum number of Performance Share Units in which Participant can vest pursuant to the Award shall be calculated based on the Performance Goal over a three-year Performance Period that begins January 1, 2020 and ends December 31, 2022 (the "Performance Period").

2. Performance Goal. The Performance Goal is based on total shareholder return ("TSR"). TSR shall mean the rate of return stockholders receive through stock price changes and the assumed reinvestment of dividends over the Performance Period. Vesting will be based on the Company's TSR ranking relative to the TSR ranking of the Peer Companies (identified in Section 3(c) below). At the end of the Performance Period, the TSR for the Company, and for each Peer Company, shall be determined pursuant to the following formula:

$$\text{TSR} = \frac{(\text{Closing Average Share Value} - \text{Opening Average Share Value}) + \text{Reinvested Dividends}}{\text{Opening Average Share Value}}$$

The result shall be rounded to the nearest hundredth of one percent (.01%).

(a) The term "Closing Average Share Value" means the average value of the common stock for the 30 trading days ending on the last day of the Performance Period, which shall be calculated as follows: (i) determine the closing price of the common stock on each trading date during 30-day period and (ii) average the amounts so determined for the 30-day period.

(b) The term "Opening Average Share Value" means the average value of the common stock for the 30 trading days preceding the start of the Performance Period, which shall be calculated as follows: (i) determine the closing price of the common stock on each trading date during the 30-day period and (ii) average the amounts so determined for the 30-day period.

(c) "Reinvested Dividends" shall be calculated by multiplying (i) the aggregate number of shares (including fractional shares) that could have been purchased during the Performance Period had each cash dividend paid on a single share during that period been immediately reinvested in additional shares (or fractional shares) at the closing selling price per share on the applicable ex-dividend date by (ii) the Closing Average Share Value.

(d) Each of the foregoing amounts shall be equitably adjusted for stock splits, stock dividends, recapitalizations and other similar events affecting the shares in question without the issuer's receipt of consideration.

3. Vesting Schedule. The Performance Share Units will vest pursuant to the Award, subject to application of the Payout Value Limit described in Section 4 below, based on the Company's relative TSR ranking in respect of the Performance Period as compared to the TSR ranking of the Peer Companies, in accordance with the following schedule:

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<u>Devon Energy Corporation</u> Relative TSR Ranking	<u>Vesting</u> (Percentage of Target Award)
1-2	200%
3	175%
4	150%
5	125%
6	100%
7	88%
8	75%
9	63%
10	50%
11-12	0%

(a) The maximum number of Performance Share Units that can vest for the Performance Period may range from 0% to 200% of the target Award, with the actual percentage to be determined on the basis of the percentile level at which the Committee certifies that the Performance Goal has been attained in relation to the corresponding Performance Goal for Peer Companies for the Performance Period; provided however, that the maximum number of Performance Share Units that may become earned and vested during such Performance Period will be calculated as follows: **#QuantityGranted#** x 200%. The Committee retains sole discretion to reduce the vesting percentage (and thus the maximum number of Performance Share Units that may vest), including reduction to zero, without regard to the performance of the Company's TSR relative to the TSR of the Peer Companies. In addition, vesting of Performance Share Units shall be subject to the Payout Value Limit described in Section 4 below.

(b) If the Company's final TSR value is equal to the TSR value of a Peer Company, the Committee shall assign the Company the higher ranking.

(c) In addition to the Company, the Peer Companies are Apache Corporation, Chesapeake Energy Corporation, Cimarex Energy Co., Concho Resources Inc., Continental Resources, Inc., EnCana Corporation (or, for the avoidance of doubt and if applicable, Ovintiv, Inc.), EOG Resources, Inc., Marathon Oil Corporation, Noble Energy, Inc., Pioneer Natural Resources Company, and WPX Energy, Inc.

(d) The Peer Companies will be subject to change as follows:

(i) In the event of a merger, acquisition or business combination transaction of a Peer Company, in which the Peer Company is the surviving entity and remains publicly traded, the surviving entity shall remain a Peer Company. Any entity involved in the transaction that is not the surviving company shall no longer be a Peer Company.

(ii) If a Peer Company ceases to be a publicly traded company at any time during the Performance Period, for any reason, such company shall remain a Peer Company but shall be deemed to have a TSR of negative 100% (-100%).

4. **Reduction; Pro-Rata Vesting.** If the value (based on the fair market value of a share of Common Stock on the last day of the Performance Period) of the aggregate number of Performance Share Units that vest pursuant to the Award based on Sections 1-3 of this Schedule A exceeds the Payout Value Limit, then the maximum number of vested Performance Share Units calculated under Sections 1-3 of this

Schedule A shall be reduced so that the value (based on the fair market value of a share of Common Stock on the last day of the Performance Period) of the total number of Performance Share Units that vest pursuant to the Award is equal to the Payout Value Limit. The "Payout Value Limit" shall be equal to the product of (a) the fair market value of a share of Common Stock on the first day of the Performance Period, times (b) the target number of Units subject to the Award, times (c) four.

In addition to the foregoing, in the event the pro-ration terms of Section 3(e) of the Award Agreement apply, then the number of Performance Share Units that vest pursuant to the Award based on Sections 1-3 of this Schedule A will be pro-rated based on the number of days from the Date of Grant to the Date of Termination out of 365.

5. General Vesting Terms. Any fractional Performance Share Unit resulting from the vesting of the Performance Share Units in accordance with the Award Agreement shall be rounded down to the nearest whole number. Any portion of the Performance Share Units that does not vest as of the end of the Performance Period shall be forfeited as of the end of the Performance Period.

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EXHIBIT A

Form of Non-Disclosure Agreement

[Insert Date]

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

Re: Non-Disclosure Agreement

Ladies and Gentlemen:

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

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

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

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

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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.

Notwithstanding the foregoing, nothing in this letter agreement is intended to conflict with the Defend Trade Secrets Act or create liability for disclosures of trade secrets that are expressly allowed by that statute. In particular, under the Defend Trade Secrets Act, the Participant will not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret of the Company that is made (i) in confidence to a government official or to the Participant's attorney solely for the purpose of reporting or investigating a suspected violation of law or (ii) in a complaint or other document that is filed under seal in a proceeding. In addition, if the Participant files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Participant may disclose the trade secret to the Participant's attorney and use the trade secret information in the court proceeding if the Participant files any document containing the trade secret under seal and does not otherwise disclose the trade secret, except pursuant to court order. Further, nothing in this letter agreement or any other agreement or arrangement with the Company shall prohibit or restrict the Participant from making any voluntary disclosure of information or documents pertaining to violations of law to any governmental agency or legislative body, any self-regulatory organization, or the Legal Department of the Company without prior notice to the Company.

This letter agreement shall become effective upon execution by the Participant and the Company and shall terminate on December 31, 20\_\_\_. **[Note: Insert date that is the end of the 2020-2022 Performance Period.]**

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

"PARTICIPANT"

**#ParticipantName#**

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

"COMPANY"

DEVON ENERGY CORPORATION

By:  
Name:  
Title:

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EXHIBIT B

Form of Compliance Certificate

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

**#ParticipantName#**

Dated:

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

I, David A. Hager, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Devon Energy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2020

*/s/ David A. Hager*

David A. Hager

*President and Chief Executive Officer*

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

I, Jeffrey L. Ritenour, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Devon Energy Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2020

*/s/ Jeffrey L. Ritenour*

Jeffrey L. Ritenour

*Executive Vice President and Chief Financial Officer*

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

In connection with the Report of Devon Energy Corporation (“Devon”) on Form 10-Q for the period ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, David A. Hager, President and Chief Executive Officer of Devon, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Devon.

*/s/ David A. Hager*

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David A. Hager

*President and Chief Executive Officer*

May 6, 2020



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

In connection with the Report of Devon Energy Corporation (“Devon”) on Form 10-Q for the period ended March 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jeffrey L. Ritenour, Executive Vice President and Chief Financial Officer of Devon, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Devon.

*/s/ Jeffrey L. Ritenour*

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Jeffrey L. Ritenour  
Executive Vice President and Chief Financial Officer  
May 6, 2020