
**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, 2019

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

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 17, 2019, 415.2 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” and the “Company” 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 “Bbls” means barrel or barrels.

“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. Bitumen and 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. All dollar amounts associated with Canada are in U.S. dollars, unless stated otherwise.

“Canadian Plan” means Devon Canada Corporation Incentive Savings Plan.

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

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

“E&P” means exploration and production activities.

“EnLink” means EnLink Midstream Partners, LP, a master limited partnership.

“FASB” means Financial Accounting Standards Board.

“G&A” means general and administrative expenses.

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

“General Partner” means EnLink Midstream, LLC, the indirect general partner of EnLink, and, unless the context otherwise indicates, EnLink Midstream Manager, LLC, the managing member of EnLink Midstream, LLC.

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

“LOE” means lease operating expenses.

“MBbls” means thousand barrels.

“MBoe” means thousand Boe.

“Mcf” means thousand cubic feet.

“MMBoe” means million Boe.

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“MMBtu” means million Btu.

“MMcf” means million cubic feet.

“N/M” means not meaningful.

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

“NYMEX” means New York Mercantile Exchange.

“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.

“Upstream operations” means upstream revenues minus production expenses.

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

“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:

- 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;
- our ability to successfully complete mergers, acquisitions and divestitures; and
- any of the other risks and uncertainties discussed in this report, our [2018 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 COMPREHENSIVE STATEMENTS OF EARNINGS**

	Three Months Ended March 31,	
	2019	2018
	(Unaudited)	
Upstream revenues	\$ 710	\$ 1,319
Marketing revenues	791	879
Total revenues	1,501	2,198
Production expenses	506	543
Exploration expenses	13	33
Marketing expenses	759	873
Depreciation, depletion and amortization	459	399
Asset dispositions	(44)	(12)
General and administrative expenses	153	199
Financing costs, net	73	387
Restructuring and transaction costs	54	—
Other expenses	(45)	21
Total expenses	1,928	2,443
Loss from continuing operations before income taxes	(427)	(245)
Income tax benefit	(110)	(34)
Net loss from continuing operations	(317)	(211)
Net earnings from discontinued operations, net of income tax expense	—	58
Net loss	(317)	(153)
Net earnings attributable to noncontrolling interests	—	44
Net loss attributable to Devon	<u>\$ (317)</u>	<u>\$ (197)</u>
Basic net loss per share:		
Basic loss from continuing operations per share	\$ (0.74)	\$ (0.41)
Basic earnings from discontinued operations per share	—	0.03
Basic net loss per share	<u>\$ (0.74)</u>	<u>\$ (0.38)</u>
Diluted net loss per share:		
Diluted loss from continuing operations per share	\$ (0.74)	\$ (0.41)
Diluted earnings from discontinued operations per share	—	0.03
Diluted net loss per share	<u>\$ (0.74)</u>	<u>\$ (0.38)</u>
Comprehensive loss:		
Net loss	\$ (317)	\$ (153)
Other comprehensive earnings (loss), net of tax:		
Foreign currency translation	35	(48)
Pension and postretirement plans	2	4
Other comprehensive earnings (loss), net of tax	37	(44)
Comprehensive loss	(280)	(197)
Comprehensive earnings attributable to noncontrolling interests	—	44
Comprehensive loss attributable to Devon	<u>\$ (280)</u>	<u>\$ (241)</u>

See accompanying notes to consolidated financial statements

DEVON ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2019	2018
	(Unaudited)	
Cash flows from operating activities:		
Net loss	\$ (317)	\$ (153)
Adjustments to reconcile net loss to net cash from operating activities:		
Net earnings from discontinued operations, net of income tax expense	—	(58)
Depreciation, depletion and amortization	459	399
Leasehold impairments	1	8
Accretion on discounted liabilities	17	16
Total losses on commodity derivatives	709	41
Cash settlements on commodity derivatives	(43)	11
Gains on asset dispositions	(44)	(12)
Deferred income tax benefit	(107)	(38)
Share-based compensation	48	38
Early retirement of debt	—	312
Total (gains) losses on foreign exchange	(34)	50
Other	(10)	(29)
Changes in assets and liabilities, net	(302)	25
Net cash from operating activities - continuing operations	<u>377</u>	<u>610</u>
Cash flows from investing activities:		
Capital expenditures	(548)	(651)
Acquisitions of property and equipment	(11)	(6)
Divestitures of property and equipment	311	47
Net cash from investing activities - continuing operations	<u>(248)</u>	<u>(610)</u>
Cash flows from financing activities:		
Repayments of long-term debt principal	(162)	(807)
Early retirement of debt	—	(304)
Repurchases of common stock	(999)	(71)
Dividends paid on common stock	(34)	(32)
Shares exchanged for tax withholdings	(26)	(38)
Net cash from financing activities - continuing operations	<u>(1,221)</u>	<u>(1,252)</u>
Effect of exchange rate changes on cash - continuing operations	1	(15)
Net change in cash, cash equivalents and restricted cash of continuing operations	<u>(1,091)</u>	<u>(1,267)</u>
Cash flows from discontinued operations:		
Operating activities	—	194
Investing activities	—	(180)
Financing activities	—	39
Net change in cash, cash equivalents and restricted cash of discontinued operations	<u>—</u>	<u>53</u>
Net change in cash, cash equivalents and restricted cash	(1,091)	(1,214)
Cash, cash equivalents and restricted cash at beginning of period	2,446	2,684
Cash, cash equivalents and restricted cash at end of period	<u>\$ 1,355</u>	<u>\$ 1,470</u>
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 1,327	\$ 1,407
Restricted cash included in other current assets	28	46
Cash and cash equivalents included in current assets held for sale	—	17
Total cash, cash equivalents and restricted cash	<u>\$ 1,355</u>	<u>\$ 1,470</u>

See accompanying notes to consolidated financial statements

DEVON ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	<u>March 31, 2019</u>	<u>December 31, 2018</u>
	<u>(Unaudited)</u>	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,327	\$ 2,414
Accounts receivable	1,038	885
Current assets held for sale	—	197
Other current assets	338	941
Total current assets	<u>2,703</u>	<u>4,437</u>
Oil and gas property and equipment, based on successful efforts accounting, net	12,766	12,813
Other property and equipment, net	1,098	1,122
Total property and equipment, net	<u>13,864</u>	<u>13,935</u>
Goodwill	841	841
Right-of-use assets	365	—
Other long-term assets	304	353
Total assets	<u>\$ 18,077</u>	<u>\$ 19,566</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 603	\$ 662
Revenues and royalties payable	850	898
Short-term debt	—	162
Current liabilities held for sale	—	69
Other current liabilities	515	435
Total current liabilities	<u>1,968</u>	<u>2,226</u>
Long-term debt	5,786	5,785
Lease liabilities	298	—
Asset retirement obligations	938	1,030
Other long-term liabilities	458	462
Deferred income taxes	772	877
Stockholders' equity:		
Common stock, \$0.10 par value. Authorized 1.0 billion shares; issued 417 million and 450 million shares in 2019 and 2018, respectively	42	45
Additional paid-in capital	3,518	4,486
Retained earnings	3,280	3,650
Accumulated other comprehensive earnings	1,064	1,027
Treasury stock, at cost, 1.5 million and 1.0 million shares in 2019 and 2018, respectively	(47)	(22)
Total stockholders' equity	<u>7,857</u>	<u>9,186</u>
Total liabilities and stockholders' equity	<u>\$ 18,077</u>	<u>\$ 19,566</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 Other Comprehensive Earnings	Treasury Stock	Noncontrolling Interests	Total Equity
	Shares	Amount						
(Unaudited)								
Three Months Ended March 31, 2019								
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>
Three Months Ended March 31, 2018								
Balance as of December 31, 2017	525	\$ 53	\$ 7,333	\$ 702	\$ 1,166	\$ —	\$ 4,850	\$ 14,104
Net earnings (loss)	—	—	—	(197)	—	—	44	(153)
Other comprehensive loss, net of tax	—	—	—	—	(44)	—	—	(44)
Restricted stock grants, net of cancellations	3	—	—	—	—	—	—	—
Common stock repurchased	—	—	—	—	—	(111)	—	(111)
Common stock retired	(3)	—	(99)	—	—	99	—	—
Common stock dividends	—	—	—	(32)	—	—	—	(32)
Share-based compensation	1	—	36	—	—	—	—	36
Subsidiary equity transactions	—	—	(1)	—	—	—	28	27
Distributions to noncontrolling interests	—	—	—	—	—	—	(102)	(102)
Balance as of March 31, 2018	<u>526</u>	<u>\$ 53</u>	<u>\$ 7,269</u>	<u>\$ 473</u>	<u>\$ 1,122</u>	<u>\$ (12)</u>	<u>\$ 4,820</u>	<u>\$ 13,725</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 [2018 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, 2019 and 2018 and Devon's financial position as of March 31, 2019. As further discussed in [Note 19](#), Devon sold its interests in EnLink and the General Partner on July 18, 2018. Activity relating to EnLink and the General Partner are classified as discontinued operations within Devon's consolidated comprehensive statements of earnings and consolidated statements of cash flows.

Recently Adopted Accounting Standards

In January 2019, Devon adopted ASU 2016-02, *Leases (Topic 842)*, using the modified retrospective method. See [Note 15](#) for further discussion regarding Devon's adoption of the leases standard.

The SEC released Final Rule No. 33-10532, *Disclosure Update and Simplification*, which amends various SEC disclosure requirements determined to be redundant, duplicative, overlapping, outdated or superseded as part of the SEC's ongoing disclosure effectiveness initiative. The rule was effective November 5, 2018. The rule amended numerous SEC rules, items and forms covering a diverse group of topics. Devon has implemented these required changes which generally reduced or eliminated disclosures. Devon adopted the requirement of presenting current and comparative quarterly stockholders' equity roll forwards in the first quarter of 2019.

Issued Accounting Standards Not Yet Adopted

The FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820): Changes to the Disclosure Requirements for Fair Value Measurement*. This ASU will eliminate, add and modify certain disclosure requirements for fair value measurement. The ASU is effective for annual and interim periods beginning January 1, 2020, with early adoption permitted for either the entire standard or only the provisions that eliminate or modify requirements. The ASU requires the additional disclosure requirements to be adopted using a retrospective approach. Devon is currently evaluating the provisions of this ASU and assessing the impact it may have on its disclosures in the notes to the consolidated financial statements.

The FASB issued ASU 2018-15, *Intangibles, Goodwill and Other Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. This ASU will require a customer in a cloud computing arrangement (i.e., hosting arrangement) that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to capitalize as assets or expense as incurred. Capitalized implementation costs related to a hosting arrangement that is a service contract will be amortized over the term of the hosting arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. This ASU is effective for annual and interim periods beginning January 1, 2020, with early adoption permitted. Entities have the option to adopt the ASU using either a retrospective approach or a prospective approach applied to all implementation costs incurred after the date of the adoption. Devon is currently evaluating the provisions of this ASU and assessing the impact it may have on its consolidated financial statements.

The SEC released Final Rule Release No. 33-10618, *FAST Act Modernization and Simplification of Regulation S-K*, which amends Regulation S-K to modernize and simplify certain disclosure requirements in a manner that reduces costs and burdens on registrants while continuing to provide all material information to investors. The rule is effective May 2, 2019. The rule amends numerous SEC rules, items and forms covering a diverse group of topics. As the changes are generally expected to reduce or eliminate disclosures, Devon is currently evaluating and assessing the impact it may have on its disclosures.

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

2. Divestitures

2019 Asset Divestitures

In the first quarter of 2019, Devon received proceeds of approximately \$300 million and recognized a net gain on asset dispositions of approximately \$44 million, 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, or less than 2% of total U.S. proved reserves. As of December 31, 2018, assets and liabilities associated with these divested assets were classified as held for sale in the accompanying consolidated balance sheet.

In February 2019, Devon announced its intent to separate its Canadian business and Barnett Shale assets from the Company, based on authorizations provided by its Board of Directors. Devon is evaluating multiple methods of separation for these assets, including potential sales or spin-offs. As of March 31, 2019, Devon does not currently have any indications that it would recognize an impairment upon separating its Canadian business or its Barnett Shale assets.

Devon anticipates reporting all financial information for its Canadian business and Barnett Shale assets as discontinued operations in 2019 when all the requisite criteria are met for such financial statement presentation.

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 and foreign exchange forward contracts to manage its exposure to fluctuations in the U.S. and Canadian dollar exchange rates. As of March 31, 2019, Devon did not have any open interest rate swap or foreign exchange 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 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.

Commodity Derivatives

As of March 31, 2019, Devon had the following open oil derivative positions. The first two tables present Devon's oil derivatives that settle against the average of the prompt month NYMEX WTI futures price. The third 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 2019	46,891	\$ 59.97	87,484	\$ 54.60	\$ 64.62
Q1-Q4 2020	3,238	\$ 60.13	17,186	\$ 51.97	\$ 62.12

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

Three-Way Price Collars						
Period	Volume (Bbls/d)	Weighted Average Floor Sold Price (\$/Bbl)	Weighted Average Floor Purchased Price (\$/Bbl)	Weighted Average Ceiling Price (\$/Bbl)		
Q2-Q4 2019	5,000	\$ 50.00	\$ 63.00	\$ 74.80		

Oil Basis Swaps						
Period	Index	Volume (Bbls/d)	Weighted Average Differential to WTI (\$/Bbl)			
Q2-Q4 2019	Midland Sweet	24,945	\$ (0.46)			
Q2-Q4 2019	Argus LLS	8,900	\$ 5.10			
Q2-Q4 2019	Argus MEH	20,945	\$ 3.24			
Q2-Q4 2019	NYMEX Roll	38,000	\$ 0.45			
Q2-Q4 2019	Western Canadian Select	62,762	\$ (19.21)			
Q1-Q4 2020	NYMEX Roll	38,000	\$ 0.31			
Q1-Q4 2020	Western Canadian Select	4,577	\$ (20.80)			

As of March 31, 2019, 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 2019	262,525	\$ 2.81		213,884	\$ 2.64	\$ 3.02	
Q1-Q4 2020	51,409	\$ 2.86		40,071	\$ 2.73	\$ 3.03	

Natural Gas Basis Swaps						
Period	Index	Volume (MMBtu/d)	Weighted Average Differential to Henry Hub (\$/MMBtu)			
Q2-Q4 2019	Panhandle Eastern Pipe Line	63,018	\$ (0.71)			
Q2-Q4 2019	El Paso Natural Gas	130,000	\$ (1.46)			
Q2-Q4 2019	Houston Ship Channel	162,500	\$ 0.01			
Q1-Q4 2020	Panhandle Eastern Pipe Line	30,000	\$ (0.47)			
Q1-Q4 2020	El Paso Natural Gas	40,000	\$ (0.67)			
Q1-Q4 2020	Houston Ship Channel	10,000	\$ 0.02			

As of March 31, 2019, 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 2019	Ethane	1,000	\$ 11.55	
Q2-Q4 2019	Natural Gasoline	4,500	\$ 55.93	
Q2-Q4 2019	Normal Butane	4,000	\$ 33.69	
Q2-Q4 2019	Propane	8,500	\$ 30.01	

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

Financial Statement Presentation

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

	Three Months Ended March 31,	
	2019	2018
Commodity derivatives:		
Upstream revenues	\$ (709)	\$ (41)
Marketing revenues	1	—
Interest rate derivatives:		
Other expenses	—	46
Net gains (losses) recognized	<u>\$ (708)</u>	<u>\$ 5</u>

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

	March 31, 2019	December 31, 2018
Commodity derivative assets:		
Other current assets	\$ 30	\$ 637
Other long-term assets	6	40
Total derivative assets	<u>\$ 36</u>	<u>\$ 677</u>
Commodity derivative liabilities:		
Other current liabilities	\$ 91	\$ 67
Other long-term liabilities	6	1
Total derivative liabilities	<u>\$ 97</u>	<u>\$ 68</u>

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4. Share-Based Compensation

The table below presents the share-based compensation expense included in Devon's accompanying consolidated comprehensive statements of earnings. The vesting for certain share-based awards was accelerated in conjunction with the reduction of workforce described in [Note 5](#) and is included in restructuring and transaction costs in the accompanying consolidated comprehensive statements of earnings.

	Three Months Ended March 31,	
	2019	2018
G&A	\$ 26	\$ 37
Exploration expenses	1	2
Restructuring and transaction costs	22	—
Total	\$ 49	\$ 39
Related income tax benefit	\$ 10	\$ 1

Under its approved long-term incentive plan, Devon granted share-based awards to certain employees in the first three months of 2019. The following table presents a summary of Devon's unvested restricted stock awards and units, performance-based restricted stock awards and performance share units granted under the plan.

	Restricted Stock Awards and Units		Performance-Based Restricted Stock Awards		Performance Share Units	
	Awards and Units	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 12/31/18	5,963	\$ 35.47	302	\$ 35.93	2,868	\$ 30.14
Granted	4,271	\$ 25.47	—	\$ —	741	\$ 28.97
Vested	(2,505)	\$ 35.05	(137)	\$ 37.44	—	\$ —
Forfeited	(442)	\$ 26.83	—	\$ —	(1,267)	\$ 11.15
Unvested at 3/31/19	7,287	\$ 30.27	165	\$ 34.67	2,342 (1)	\$ 40.05

(1) A maximum of 4.7 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 2019, as indicated in the previous summary table.

	2019	
Grant-date fair value	\$ 28.43	\$ 29.53
Risk-free interest rate	2.48%	
Volatility factor	39.1%	
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, 2019.

	Restricted Stock Awards and Units	Performance-Based Restricted Stock Awards	Performance Share Units
Unrecognized compensation cost	\$ 162	\$ —	\$ 33
Weighted average period for recognition (years)	2.8	2.2	1.9

DEVON ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
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5. Restructuring and Transaction Costs

Workforce Reductions

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 \$54 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 anticipates recognizing additional restructuring charges in 2019 primarily when the separation of the Canadian and Barnett Shale assets are completed.

The following table summarizes Devon's restructuring liabilities.

	Other Current Liabilities	Other Long-term Liabilities	Total
Balance as of December 31, 2018	\$ 47	\$ 16	\$ 63
Changes related to 2019 workforce reductions	30	—	30
Changes related to prior years' restructurings	(18)	(3)	(21)
Balance as of March 31, 2019	<u>\$ 59</u>	<u>\$ 13</u>	<u>\$ 72</u>
Balance as of December 31, 2017	\$ 19	\$ 31	\$ 50
Changes related to prior years' restructurings	(1)	(4)	(5)
Balance as of March 31, 2018	<u>\$ 18</u>	<u>\$ 27</u>	<u>\$ 45</u>

6. Other Expenses

The following table summarizes Devon's other expenses presented in the accompanying consolidated comprehensive statements of earnings.

	Three Months Ended March 31,	
	2019	2018
Foreign exchange (gain) loss, net	\$ (34)	\$ 50
Asset retirement obligation accretion	14	16
Other, net	(25)	(45)
Total	<u>\$ (45)</u>	<u>\$ 21</u>

Foreign exchange (gain) loss, net

The U.S. dollar is the functional currency for Devon's consolidated operations except its Canadian subsidiaries, which use the Canadian dollar as the functional currency. The amounts in the table above include both unrealized and realized foreign exchange impacts of foreign currency denominated monetary assets and liabilities, including intercompany loans between subsidiaries with different functional currencies. Unrealized gains and losses arise from the remeasurement of these foreign currency denominated monetary assets and liabilities and intercompany loans. Realized gains and losses arise when there are settlements of these foreign currency denominated monetary assets and liabilities and intercompany loans.

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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.

	<u>Three Months Ended March 31,</u>	
	<u>2019</u>	<u>2018</u>
Current income tax expense (benefit)	\$ (3)	\$ 4
Deferred income tax benefit	(107)	(38)
Total income tax benefit	<u>\$ (110)</u>	<u>\$ (34)</u>
U.S. statutory income tax rate	21%	21%
State income taxes	7%	1%
Other	(2%)	(8%)
Effective income tax rate	<u>26%</u>	<u>14%</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.

In the table above, the "other" effect is primarily composed of permanent differences for which dollar amounts do not increase or decrease in relation to the change in pre-tax earnings. Generally, such items have an insignificant impact on Devon's effective income tax rate. However, these items had a more noticeable impact to the rate in the first three months of 2018 due to the low relative net loss during the period.

In the first quarter of 2019, the deferred tax asset representing Devon's U.S. state net operating loss subject to a valuation allowance decreased by \$13 million. The corresponding decrease in the valuation allowance against the state net operating loss resulted in a deferred tax benefit, which is included within state income taxes in the table above.

As of the first quarter of 2018, Devon's U.S. segment maintained a 100% valuation allowance against its U.S. deferred tax assets resulting from prior year cumulative financial losses, oil and gas impairments, and significant net operating losses for U.S. federal and state income tax. However, upon closing the EnLink divestiture in the third quarter of 2018, Devon reassessed its position and determined that its U.S. segment was no longer in a full valuation allowance position, maintaining only valuation allowances against certain deferred tax assets, including certain tax credits and state net operating losses. Devon's Canadian segment maintains a valuation allowance against certain capital loss carryforwards.

During the first quarter of 2019, Devon announced its intent to separate all Canadian assets. As a result, Devon's foreign earnings were no longer considered indefinitely reinvested as of March 31, 2019. However, the deferred tax asset of its Canadian investment will not be recorded until the form of the separation is certain.

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8. Net Loss Per Share from Continuing Operations

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

	Three Months Ended March 31,	
	2019	2018
Net loss from continuing operations:		
Net loss from continuing operations	\$ (317)	\$ (211)
Attributable to participating securities	—	—
Basic and diluted loss from continuing operations	<u>\$ (317)</u>	<u>\$ (211)</u>
Common shares:		
Common shares outstanding - total	434	527
Attributable to participating securities	(6)	(7)
Common shares outstanding - basic and diluted	<u>428</u>	<u>520</u>
Net loss per share from continuing operations:		
Basic	\$ (0.74)	\$ (0.41)
Diluted	\$ (0.74)	\$ (0.41)
Antidilutive options (1)	1	2

(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

Components of other comprehensive earnings consist of the following:

	Three Months Ended March 31,	
	2019	2018
Foreign currency translation:		
Beginning accumulated foreign currency translation and other	\$ 1,159	\$ 1,309
Change in cumulative translation adjustment	35	(61)
Income tax benefit	—	13
Ending accumulated foreign currency translation	<u>1,194</u>	<u>1,261</u>
Pension and postretirement benefit plans:		
Beginning accumulated pension and postretirement benefits	(132)	(143)
Recognition of net actuarial loss and prior service cost in earnings (1)	3	4
Income tax expense	(1)	—
Ending accumulated pension and postretirement benefits	<u>(130)</u>	<u>(139)</u>
Accumulated other comprehensive earnings, net of tax	<u>\$ 1,064</u>	<u>\$ 1,122</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 comprehensive statements of earnings. See [Note 17](#) for additional details.

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

	Three Months Ended March 31,	
	2019	2018
Changes in assets and liabilities, net		
Accounts receivable	\$ (152)	\$ 37
Other current assets	(7)	(88)
Other long-term assets	(19)	(53)
Accounts payable	(37)	4
Revenues and royalties payable	(49)	66
Other current liabilities	(30)	64
Other long-term liabilities	(8)	(5)
Total	\$ (302)	\$ 25
Supplementary cash flow data - total operations:		
Interest paid (net of capitalized interest)	\$ 53	\$ 76
Income taxes paid	\$ 6	\$ 1

11. Accounts Receivable

Components of accounts receivable include the following:

	March 31, 2019	December 31, 2018
Oil, gas and NGL sales	\$ 608	\$ 430
Joint interest billings	155	155
Marketing revenues	269	285
Other	14	23
Gross accounts receivable	1,046	893
Allowance for doubtful accounts	(8)	(8)
Net accounts receivable	\$ 1,038	\$ 885

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, 2019	December 31, 2018
Property and equipment:		
Proved	\$ 47,325	\$ 46,805
Unproved and properties under development	2,215	2,267
Total oil and gas	49,540	49,072
Less accumulated DD&A	(36,774)	(36,259)
Oil and gas property and equipment, net	12,766	12,813
Other property and equipment	1,819	1,832
Less accumulated DD&A	(721)	(710)
Other property and equipment, net	1,098	1,122
Property and equipment, net	\$ 13,864	\$ 13,935

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13. Other Current Liabilities

Components of other current liabilities include the following:

	March 31, 2019	December 31, 2018
Derivative liabilities	\$ 91	\$ 67
Accrued interest payable	106	80
Lease liabilities	67	—
Restructuring liabilities	59	47
Other	192	241
Other current liabilities	<u>\$ 515</u>	<u>\$ 435</u>

14. Debt and Related Expenses

A summary of debt is as follows:

	March 31, 2019	December 31, 2018
6.30% due January 15, 2019	\$ —	\$ 162
4.00% due July 15, 2021	500	500
3.25% due May 15, 2022	1,000	1,000
5.85% due December 15, 2025	485	485
7.50% due September 15, 2027	73	73
7.875% due September 30, 2031 (1)	675	675
7.95% due April 15, 2032 (1)	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	(24)	(24)
Debt issuance costs	(39)	(40)
Total debt	<u>5,786</u>	<u>5,947</u>
Less amount classified as short-term debt	—	162
Total long-term debt	<u>\$ 5,786</u>	<u>\$ 5,785</u>

(1) These senior notes were included in the 2018 tender offer repurchases discussed below.

Credit Lines

Devon has a \$3.0 billion Senior Credit Facility. As of March 31, 2019, Devon had no outstanding borrowings under the Senior Credit Facility and had issued \$52 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, 2019, Devon was in compliance with this covenant with a debt-to-capitalization ratio of 21.6%.

Retirement of Senior Notes

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

In the first quarter of 2018, Devon completed tender offers to repurchase \$807 million in aggregate principal amount of debt securities, using cash on hand. This included \$384 million of the 7.875% senior notes due September 30, 2031 and \$423 million of the 7.95% senior notes due April 15, 2032. Devon recognized a \$312 million loss on early retirement of debt, consisting of \$304 million in cash retirement costs and \$8 million of noncash charges. These costs, along with other charges associated with retiring the debt, are included in net financing costs in the consolidated comprehensive statements of earnings.

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Net Financing Costs

The following schedule includes the components of net financing costs.

	Three Months Ended March 31,	
	2019	2018
Interest based on debt outstanding	\$ 78	\$ 96
Early retirement of debt	—	312
Capitalized interest	—	(18)
Other	(5)	(3)
Total net financing costs	\$ 73	\$ 387

15. Leases

Devon adopted ASU No. 2016-02, *Leases (Topic 842)*, as of January 1, 2019, using the modified retrospective transition approach. ASC 842 supersedes the previous lease accounting requirements in ASC 840 and requires lessees to recognize leases on-balance sheet and disclose key information about leasing arrangements. ASC 842 establishes a right-of-use model that requires a lessee to recognize a right-of-use asset and lease liability on the balance sheet for all leases with a term longer than 12 months. At adoption, using the modified retrospective transition approach, Devon recorded right-of-use lease assets of \$394 million and lease liabilities of \$380 million. Additionally, Devon recorded a \$24 million before tax, \$19 million net of tax, cumulative-effect adjustment to reduce retained earnings. Comparative periods have been presented in accordance with ASC Topic 840 and do not include any retrospective adjustments to reflect the adoption of Topic 842. Excluding land easements and rights-of-way, all leases that existed at January 1, 2019 or were entered into or modified thereafter, are accounted for under Topic 842. Devon elected the practical expedient provided in the standard that allows the new guidance to be applied prospectively to all new or modified land easements and rights-of-way. Devon also elected a policy not to recognize right-of-use assets and lease liabilities related to short-term leases with terms of 12 months or less. Additionally, Devon elected to account for lease components separately from the nonlease components.

Devon made certain significant assumptions and judgments in determining its right-of-use asset and lease liability balances. First is the determination of whether a contract contains a lease. Devon considered the presence of an identified asset that is physically distinct, and for which the supplier does not have substantive substitution rights and whether Devon has the right to control the underlying asset. Second, Devon assessed lease terms and considered whether Devon is reasonably certain to extend leases or exercise purchase options. Certain of Devon's leases include one or more options to renew, with renewal terms that can extend the lease term for additional years. Certain leases also include options to purchase the leased property. For options to renew or purchase that Devon is reasonably certain to exercise, these costs are recognized as part of the right-of-use assets and lease liabilities. Third, significant judgments have been made in determining discount rates. Devon estimates discount rates using market rates that approximate collateralized borrowings over the remaining term of Devon's lease payments.

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. Certain of Devon's lease agreements include variable payments based on usage or rental payments adjusted periodically for inflation. Devon's lease agreements do not contain any material residual value guarantees or restrictive covenants.

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

	Finance	Operating	Total
Right-of-use assets	\$ 215	\$ 150	\$ 365
Lease liabilities:			
Current lease liabilities (1)	\$ 7	\$ 60	\$ 67
Long-term lease liabilities	238	60	298
Total lease liabilities	\$ 245	\$ 120	\$ 365

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

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The following table presents Devon's total lease cost.

	Three Months Ended March 31, 2019
Operating lease cost (1)(2)	\$ 15
Short-term lease cost (1)(3)	26
Financing lease cost:	
Amortization of right-of-use assets (4)	6
Interest on lease liabilities (5)	3
Variable lease cost (1)	1
Lease income (1)	(1)
Net lease cost	<u>\$ 50</u>

- (1) Included as a component of general and administrative expense in the accompanying consolidated comprehensive statements of earnings.
(2) Includes certain amounts capitalized to oil and gas property and equipment in the accompanying consolidated balance sheets.
(3) Short-term lease cost excludes leases with terms of one month or less.
(4) Included as a component of depreciation, depletion and amortization in the accompanying consolidated comprehensive statements of earnings.
(5) Included as a component of net financing costs in the accompanying consolidated comprehensive statements of earnings.

The following table presents Devon's additional lease information for the three months ended March 31, 2019.

	Finance	Operating
Cash outflows for lease liabilities:		
Operating cash flows	\$ 2	\$ 3
Investing cash flows	\$ —	\$ 15
Weighted average remaining lease term (years)	8.8	2.6
Weighted average discount rate	4.2%	3.4%

The following table presents Devon's maturity analysis as of March 31, 2019 for leases expiring in each of the next 5 years and thereafter.

	Finance	Operating	Total (1)
2019	\$ 5	\$ 48	\$ 53
2020	7	47	54
2021	7	16	23
2022	8	7	15
2023	8	7	15
Thereafter	306	1	307
Total lease payments	341	126	467
Less: interest	(96)	(6)	(102)
Present value of lease liabilities	<u>\$ 245</u>	<u>\$ 120</u>	<u>\$ 365</u>

- (1) Under previous lease accounting standard, ASC 840, Devon's lease obligations as of December 31, 2018 expiring in each of the next 5 years and thereafter were \$72 million for 2019, \$54 million for 2020, \$24 million for 2021, \$15 million for 2022, \$15 million for 2023 and \$33 million thereafter.

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Devon rents or subleases certain real estate to third parties. The following table presents Devon's expected lease income as of March 31, 2019 for each of the next 5 years and thereafter.

	Operating Lease Income ⁽¹⁾
2019	\$ 4
2020	6
2021	7
2022	7
2023	7
Thereafter	53
Total	\$ 84

(1) Included in operating lease income is approximately \$30 million related to leases which have been executed but not yet commenced.

16. Asset Retirement Obligations

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

	Three Months Ended March 31,	
	2019	2018
Asset retirement obligations as of beginning of period	\$ 1,057	\$ 1,138
Liabilities incurred	7	15
Liabilities settled and divested	(37)	(20)
Revision of estimated obligation	(87)	23
Accretion expense on discounted obligation	14	16
Foreign currency translation adjustment	9	(13)
Asset retirement obligations as of end of period	963	1,159
Less current portion	25	32
Asset retirement obligations, long-term	\$ 938	\$ 1,127

During the first three months of 2019, Devon reduced its asset retirement obligations by \$87 million, primarily due to changes in the future cost estimates and retirement dates for its oil and gas assets.

17. Retirement Plans

The following table presents the components of net periodic benefit cost for Devon's pension benefits plan. There were no net periodic benefit costs for postretirement benefit plans for all periods presented below.

	Pension Benefits	
	Three Months Ended March 31,	
	2019	2018
Service cost	\$ 2	\$ 3
Interest cost	9	10
Expected return on plan assets	(10)	(14)
Net actuarial loss ⁽¹⁾	3	4
Net periodic benefit cost ⁽²⁾	\$ 4	\$ 3

(1) These net periodic benefit costs were reclassified out of other comprehensive earnings.

(2) The service cost component of net periodic benefit cost is included in G&A expense and the remaining components of net periodic benefit costs are included in other expenses in the accompanying consolidated comprehensive statements of earnings.

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18. Stockholders' Equity**Share Repurchase Program**

In March 2018, Devon announced a share repurchase program to buy up to \$1.0 billion of shares of common stock. In June 2018, in conjunction with the announced divestiture of its investment in EnLink and the General Partner, Devon increased its program by an additional \$3.0 billion. In February 2019, Devon's Board of Directors authorized an expansion of the share repurchase program by an additional \$1.0 billion, bringing the total to \$5.0 billion. The share repurchase program expires December 31, 2019.

The table below provides information regarding purchases of Devon's common stock that were made during 2018 and the first three months of 2019 (shares in thousands).

	Total Number of Shares Purchased	Dollar Value of Shares Purchased	Average Price Paid per Share
First quarter 2018:			
Open-Market	2,561	\$ 82	\$ 32.19
Second quarter 2018:			
Open-Market	11,154	439	39.35
Third quarter 2018:			
Open-Market	16,492	712	43.13
ASR	24,330	1,000	41.10
Total	40,822	1,712	41.92
Fourth quarter 2018:			
Open-Market	23,612	745	31.57
First quarter 2019:			
Open-Market	36,141	1,024	28.33
Total inception-to-date	114,290	\$ 4,002	\$ 35.01

Dividends

Devon paid common stock dividends of \$34 million (\$0.08 per share) and \$32 million (\$0.06 per share) during the first three months of 2019 and 2018, respectively. In February 2019, Devon announced a 12.5% increase to its quarterly dividend, to \$0.09 per share, beginning in the second quarter of 2019. In the second quarter of 2018, Devon increased the quarterly dividend rate from \$0.06 to \$0.08 per share.

19. Discontinued Operations and Assets Held For Sale

On June 6, 2018, Devon announced that it had entered into an agreement to sell its aggregate ownership interests in EnLink and the General Partner for \$3.125 billion. Upon entering into the agreement to sell its ownership interest in June 2018, Devon concluded that the transaction was a strategic shift and met the requirements of assets held for sale and discontinued operations. As a result, Devon classified the results of operations and cash flows related to EnLink and the General Partner as discontinued operations on its consolidated financial statements.

On July 18, 2018, Devon completed the sale of its aggregate ownership interests in EnLink and the General Partner for \$3.125 billion and recognized a gain of approximately \$2.6 billion (\$2.2 billion after-tax). Current (cash) income tax associated with the transaction was approximately \$12 million. The vast majority of the tax effect relates to deferred tax expense offset by the valuation allowance adjustment.

As part of the sale agreement, Devon extended its fixed-fee gathering and processing contracts with respect to the Bridgeport and Cana plants with EnLink through 2029. Although the agreements were extended to 2029, the minimum volume commitments for the Bridgeport and Cana plants expired at the end of 2018. Devon has minimum volume commitments for gathering and processing of 77-128 MMcf/d with EnLink at the Chisholm plant through early 2021.

During the first quarter of 2019, Devon had net outflows of approximately \$150 million with EnLink, which primarily related to gathering and processing expenses. These net outflows represent gross cash amounts and not net working interest amounts.

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Prior to the divestment of Devon's aggregate ownership of EnLink and the General Partner, certain activity between Devon and EnLink were eliminated in consolidation. Subsequent to the divestment, all activity related to EnLink represent third-party transactions and are no longer eliminated in consolidation.

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

	Three Months Ended March 31,	
	2018	
Marketing and midstream revenues	\$	1,612
Marketing and midstream expenses		1,341
Depreciation, depletion and amortization		138
General and administrative expenses		27
Financing costs, net		44
Other expenses		(2)
Total expenses		1,548
Earnings from discontinued operations before income taxes		64
Income tax expense		6
Net earnings from discontinued operations, net of income tax expense		58
Net earnings attributable to noncontrolling interests		44
Net earnings from discontinued operations attributable to Devon	\$	14

The following table presents the carrying amounts of the assets and liabilities classified as held for sale on the consolidated balance sheets. The assets and liabilities classified as held for sale at December 31, 2018 are related to the divestiture of non-core upstream Permian Basin assets which closed in January 2019 as further discussed in [Note 2](#).

	December 31, 2018	
Accounts receivable	\$	7
Oil and gas property and equipment, based on successful efforts accounting, net		190
Total assets held for sale	\$	197
Accounts payable	\$	3
Other current liabilities		19
Asset retirement obligations		47
Total liabilities held for sale	\$	69

20. Commitments and Contingencies

Devon is party to various legal actions arising in the normal course of business. Matters that are probable of unfavorable outcome to Devon and which can be reasonably estimated are accrued. Such accruals are based on information known about the matters, Devon's estimates of the outcomes of such matters and its experience in contesting, litigating and settling similar matters. None of the actions are believed by management to 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.

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Environmental Matters

Devon is subject to certain laws and regulations relating to environmental remediation activities associated with past operations, such as the Comprehensive Environmental Response, Compensation, and Liability Act 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 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.

Other Matters

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

21. 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, 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, 2019 and December 31, 2018, 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
March 31, 2019 assets (liabilities):				
Cash equivalents	\$ 432	\$ 432	\$ 432	\$ —
Commodity derivatives	\$ 36	\$ 36	\$ —	\$ 36
Commodity derivatives	\$ (97)	\$ (97)	\$ —	\$ (97)
Debt	\$ (5,786)	\$ (6,448)	\$ —	\$ (6,448)
December 31, 2018 assets (liabilities):				
Cash equivalents	\$ 1,505	\$ 1,505	\$ 1,405	\$ 100
Commodity derivatives	\$ 677	\$ 677	\$ —	\$ 677
Commodity derivatives	\$ (68)	\$ (68)	\$ —	\$ (68)
Debt	\$ (5,947)	\$ (5,965)	\$ —	\$ (5,965)

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

Cash equivalents – Amounts primarily consist of Canadian agency and provincial securities investments. The fair value approximates the carrying value.

Commodity and interest rate 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.

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

22. Segment Information

Devon manages its operations through distinct operating segments, which are defined primarily by geographic areas. For financial reporting purposes, Devon aggregates its U.S. operating segments into one reporting segment due to the similar nature of the businesses. However, Devon's Canadian E&P operating segment is reported as a separate reporting segment primarily due to the significant differences between the U.S. and Canadian regulatory environments. Devon's U.S. and Canadian segments are both primarily engaged in oil and gas E&P activities.

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

	Three Months Ended March 31, 2019			Three Months Ended March 31, 2018		
	U.S.	Canada	Total	U.S.	Canada	Total
Oil	\$ 661	\$ 351	\$ 1,012	\$ 677	\$ 230	\$ 907
Gas	233	—	233	255	—	255
NGL	174	—	174	198	—	198
Oil, gas and NGL revenues from contracts with customers	1,068	351	1,419	1,130	230	1,360
Oil, gas and NGL derivatives	(605)	(104)	(709)	(113)	72	(41)
Upstream revenues	463	247	710	1,017	302	1,319
Oil	356	26	382	531	17	548
Gas	218	—	218	155	—	155
NGL	191	—	191	176	—	176
Total marketing revenues from contracts with customers	765	26	791	862	17	879
Total revenues	\$ 1,228	\$ 273	\$ 1,501	\$ 1,879	\$ 319	\$ 2,198

The following table presents selected financial information for Devon's reporting segments.

	U.S.	Canada	Total
Three Months Ended March 31, 2019:			
Depreciation, depletion and amortization	\$ 380	\$ 79	\$ 459
Interest expense	71	15	86
Asset dispositions	(44)	—	(44)
Restructuring and transaction costs	51	3	54
Earnings (loss) from continuing operations before income taxes	(450)	23	(427)
Income tax benefit	(106)	(4)	(110)
Net earnings (loss) from continuing operations	(344)	27	(317)
Property and equipment, net	9,926	3,938	13,864
Total assets	13,513	4,564	18,077
Capital expenditures, including acquisitions	481	49	530
Three Months Ended March 31, 2018:			
Depreciation, depletion and amortization	\$ 305	\$ 94	\$ 399
Interest expense	247	148	395
Asset dispositions	(12)	—	(12)
Loss from continuing operations before income taxes	(116)	(129)	(245)
Income tax expense (benefit)	1	(35)	(34)
Net loss from continuing operations	(117)	(94)	(211)
Property and equipment, net	10,538	4,186	14,724
Total assets ⁽¹⁾	13,477	5,271	18,748
Capital expenditures, including acquisitions	612	89	701

(1) Total assets in the table above do not include assets held for sale related to Devon's discontinued operations, which totaled \$10.6 billion on March 31, 2018.

Additional information about Devon's discontinued operations can be found in [Note 19](#).

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, 2019 compared to previous periods and in our financial condition and liquidity since December 31, 2018. For information regarding our critical accounting policies and estimates, see our [2018 Annual Report on Form 10-K](#) under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Overview of 2019 Results

Key components of our sequential quarter financial performance are summarized below.

	Q1 2019 (4)	Q4 2018 (4)	Change
Net earnings (loss)	\$ (317)	\$ 1,149	- 128%
Net earnings (loss) per diluted share	\$ (0.74)	\$ 2.48	- 130%
Core earnings (1)	\$ 158	\$ 46	+243%
Core earnings per diluted share (1)	\$ 0.36	\$ 0.10	+256%
Total production (MBoe/d)	529	532	- 1%
New Devon production (MBoe/d) (2)	308	295	+4%
Realized price per Boe (3)	\$ 29.83	\$ 23.32	+28%
Operating cash flow from continuing operations	\$ 377	\$ 542	- 30%
Capitalized expenditures, including acquisitions	\$ 530	\$ 672	- 21%
Cash and cash equivalents	\$ 1,327	\$ 2,414	- 45%
Total debt	\$ 5,786	\$ 5,947	- 3%

- (1) Core earnings and core earnings per diluted share are financial measures not prepared in accordance with GAAP. For a description of core earnings and core earnings per diluted share, as well as reconciliations to the comparable GAAP measures, see "Non-GAAP Measures" in this Item 2.
- (2) New Devon production excludes production associated with our Canadian and Barnett Shale assets as well as other divested U.S. non-core assets.
- (3) Excludes any impact of oil, gas and NGL derivatives.
- (4) Except for balance sheet amounts, which are presented as of period end.

During the first three months of 2019, we made significant progress in our transition to "New Devon" - a U.S. oil growth company. We announced our intention to separate our Canadian business and our Barnett Shale assets from the Company. We anticipate using the proceeds from the separation of these assets to maintain target debt levels. As we continue to execute on our strategic objectives of funding high-return projects, generating free cash flow, maintaining financial strength and returning cash to shareholders, we have already achieved the following accomplishments in 2019.

- Increased Delaware Basin and Powder River Basin production 25% in the first quarter of 2019 compared to the fourth quarter of 2018.
- Initiated workforce and other cost reduction initiatives targeting \$200 million of annualized savings by the end of 2019
- Repurchased \$4.0 billion of our \$5.0 billion share repurchase program, representing a 20% reduction in outstanding shares since the program's inception.
- Increased our quarterly common stock dividend 12.5% to \$0.09 per share beginning in the second quarter of 2019.

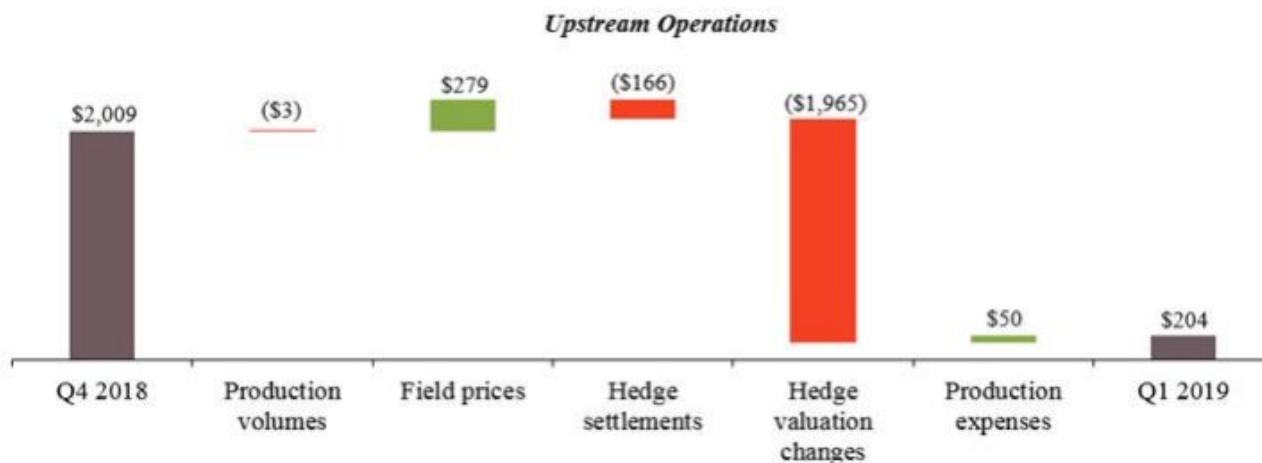
We exited the first quarter of 2019 with liquidity comprised of \$1.3 billion of cash and \$2.9 billion of available credit under our Senior Credit Facility. We have no debt maturities until 2021. We currently have approximately 60% of our expected oil and gas production protected for the remainder of 2019. 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 in the U.S. and Canada.

The following graphs, discussion and analysis are intended to provide an understanding of our results of operations and current financial condition. Specifically, the graph below shows the change in net earnings from the three months ended December 31, 2018 to the three months ended March 31, 2019. The material changes are further discussed by category on the following pages.



* Other includes asset dispositions, restructuring and transaction costs and other expenses.

The graph below presents the drivers of the upstream operations change presented above, with additional details and discussion of the drivers following the graph.



Upstream Operations

Production Volumes

	Q1 2019	% of Total	Q4 2018	Change
Oil and bitumen (MBbls/d)				
Delaware Basin	60	23%	45	+32%
STACK	32	13%	31	+3%
Powder River Basin	15	6%	13	+22%
Eagle Ford	25	10%	30	- 18%
Other	6	2%	6	+5%
New Devon	138	54%	125	+10%
Canada divest assets	112	44%	120	- 7%
U.S. divest assets	4	2%	8	- 49%
Total Oil and bitumen	254	100%	253	+1%

	Q1 2019	% of Total	Q4 2018	Change
Gas (MMcf/d)				
Delaware Basin	146	15%	127	+14%
STACK	333	32%	343	- 3%
Powder River Basin	18	2%	20	- 8%
Eagle Ford	83	8%	95	- 12%
Other	1	0%	2	- 56%
New Devon	581	57%	587	- 1%
Canada divest assets	4	0%	6	- 31%
U.S. divest assets	439	43%	457	- 4%
Total	1,024	100%	1,050	- 3%

	Q1 2019	% of Total	Q4 2018	Change
NGLs (MBbls/d)				
Delaware Basin	23	22%	18	+29%
STACK	35	34%	37	- 5%
Powder River Basin	2	2%	2	+9%
Eagle Ford	12	11%	15	- 22%
Other	1	1%	1	- 8%
New Devon	73	70%	73	+0%
Divest assets	31	30%	32	- 5%
Total	104	100%	105	- 1%

	Q1 2019	% of Total	Q4 2018	Change
Combined (MBoe/d)				
Delaware Basin	107	20%	84	+27%
STACK	123	23%	126	- 2%
Powder River Basin	21	4%	18	+15%
Eagle Ford	50	10%	61	- 18%
Other	7	2%	6	+8%
New Devon	308	59%	295	+4%
Canada divest assets	113	21%	121	- 7%
U.S. divest assets	108	20%	116	- 7%
Total	529	100%	532	- 1%

Continued growth in the Delaware Basin and Powder River Basin drove production increases for New Devon for the first quarter of 2019 compared to the fourth quarter of 2018. These production gains were offset by lower production volumes associated with the Eagle Ford and U.S. divest assets. Canada production was lower due to higher royalties in the first quarter of 2019.

Field Prices

	Q1 2019	Realization	Q4 2018	Change
Oil and bitumen (per Bbl)				
WTI index	\$ 54.88		\$ 58.80	- 7%
Access Western Blend index	\$ 40.37		\$ 14.06	+187%
U.S.	\$ 51.83	94%	\$ 55.78	- 7%
Canada	\$ 34.60	63%	\$ (2.49)	+1489%
Realized price, unhedged	\$ 44.20	81%	\$ 27.99	+58%
Cash settlements	\$ (1.18)		\$ 6.59	
Realized price, with hedges	\$ 43.02	78%	\$ 34.58	+24%

	Q1 2019	Realization	Q4 2018	Change
Gas (per Mcf)				
Henry Hub index	\$ 3.15		\$ 3.65	- 14%
Realized price, unhedged	\$ 2.53	80%	\$ 2.88	- 12%
Cash settlements	\$ (0.17)		\$ (0.28)	
Realized price, with hedges	\$ 2.36	75%	\$ 2.60	- 9%

	Q1 2019	Realization	Q4 2018	Change
NGLs (per Bbl)				
Mont Belvieu blended index (1)	\$ 22.94		\$ 26.30	- 13%
Realized price, unhedged	\$ 18.64	81%	\$ 22.15	- 16%
Cash settlements	\$ 0.48		\$ 0.18	
Realized price, with hedges	\$ 19.12	83%	\$ 22.33	- 14%

(1) Based upon composition of our NGL barrel.

	Q1 2019	Q4 2018	Change
Combined (per Boe)			
U.S.	\$ 28.58	\$ 30.94	- 8%
Canada	\$ 34.42	\$ (2.46)	+1498%
Realized price, unhedged	\$ 29.83	\$ 23.32	+28%
Cash settlements	\$ (0.82)	\$ 2.61	
Realized price, with hedges	\$ 29.01	\$ 25.93	+12%

In the fourth quarter of 2018, market forces widened Canadian heavy oil differentials beyond historical norms and negatively impacted the price we realized on our Canadian production. We had basis swaps for approximately half of our fourth quarter production to mitigate the effect of the lower market price. To further mitigate the effects of the lower price, we reduced our Jackfish production beginning in November 2018 which impacted our fourth quarter production by approximately 8 MBbls/d. Our Canadian heavy oil unhedged realized price for the fourth quarter of 2018 was near zero. During the first quarter of 2019, heavy oil differentials significantly improved primarily due to provincially mandated production cuts.

Hedging

	Q1 2019	Q4 2018	Change
Oil	\$ (27)	\$ 153	- 118%
Natural gas	(16)	(27)	+41%
NGL	4	1	+300%
Total cash settlements	(39)	127	- 131%
Valuation changes	(670)	1,295	- 152%
Total	\$ (709)	\$ 1,422	- 150%

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.

In addition to cash settlements, we also 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.

Production Expenses

	Q1 2019	Q4 2018	Change
LOE	\$ 220	\$ 251	- 12%
Gathering, processing & transportation	203	220	- 8%
Production taxes	68	70	- 3%
Property taxes	15	15	+0%
Total	\$ 506	\$ 556	- 9%
Per Boe:			
LOE	\$ 4.63	\$ 5.12	- 10%
Gathering, processing & transportation	\$ 4.26	\$ 4.50	- 5%
Percent of oil, gas and NGL sales:			
Production taxes	4.8%	6.1%	- 21%

LOE decreased primarily due to a Canadian product inventory impairment in the fourth quarter of 2018 and our U.S. non-core divestitures.

Gathering, processing and transportation decreased approximately \$20 million due to the expiration of the EnLink Bridgeport minimum volume commitment at the end of 2018.

Production taxes as a percent of oil, gas and NGL sales decreased in the first quarter of 2019 compared to the fourth quarter of 2018 as improved Canadian heavy oil differentials resulted in a higher percentage of our oil, gas and NGL revenues being in Canada whereas the majority of our production taxes are assessed related to our U.S. upstream revenues.

Exploration Expenses

	Q1 2019	Q4 2018	Change
Unproved impairments	\$ 1	\$ 19	- 95%
Geological and geophysical	3	3	+0%
Exploration overhead and other	9	22	- 59%
Total	\$ 13	\$ 44	- 70%

In the fourth quarter of 2018, we had unproved impairments primarily related to a portion of our U.S. non-core operations upon which we do not intend to pursue further exploration and development.

Other

	Q1 2019	Q4 2018	Change
Asset dispositions	\$ (44)	\$ (268)	+84%
Restructuring	54	9	+488%
Other	(45)	126	- 136%
Total	\$ (35)	\$ (133)	+74%

We recognized gains in conjunction with certain of our U.S. asset dispositions in 2019 and 2018. For further discussion, see [Note 2](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

During the first quarter of 2019, we recognized restructuring and transaction costs primarily as a result of our workforce reductions. See [Note 5](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report for additional information.

The remaining change in other expense was driven primarily by changes in foreign currency exchange instruments as further discussed in [Note 6](#), in “Part I. Financial Information – Item 1. Financial Statements” in this report.

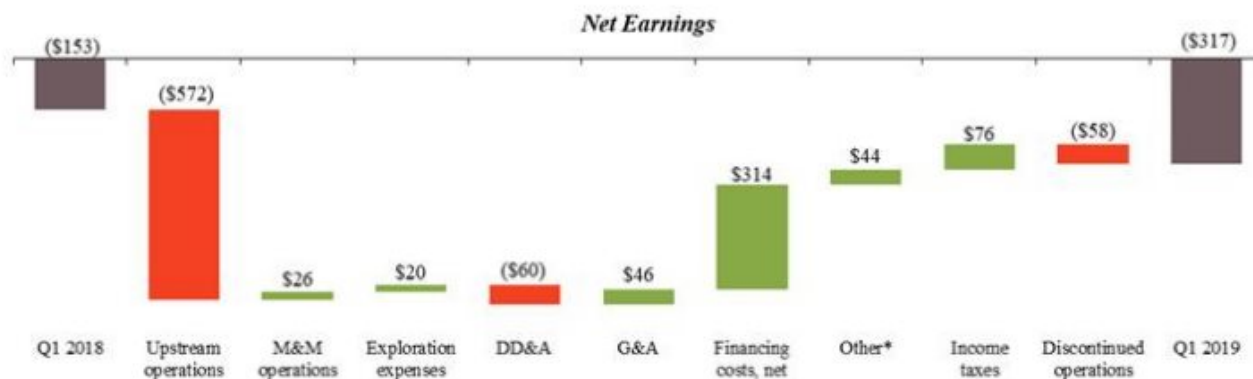
Income Taxes

	Q1 2019	Q4 2018
Current benefit	\$ (3)	\$ (23)
Deferred expense (benefit)	(107)	358
Total expense (benefit)	\$ (110)	\$ 335
Effective income tax rate	26%	23%

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

Results of Operations – Q1 2019 vs. Q1 2018

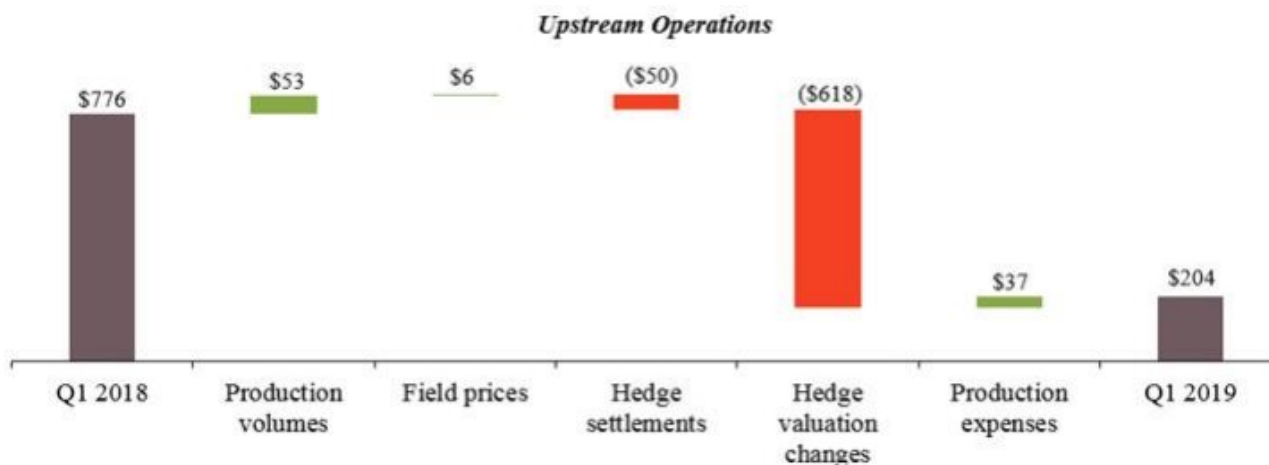
The following graphs, discussion and analysis are intended to provide an understanding of our results of operations and current financial condition. Specifically, the graph below shows the change in net earnings from the three months ended March 31, 2018 to the three months ended March 31, 2019. The 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.



* Other includes asset dispositions, restructuring and transaction costs and other expenses.

Net earnings decreased \$164 million during the first quarter of 2019 compared to the first quarter of 2018. The decrease primarily related to a \$572 million decrease in upstream operations, driven by \$668 million loss on valuation changes and cash settlements of commodity derivatives and a \$60 million increase in depreciation, depletion and amortization. These changes were partially offset by lower financing costs primarily due to \$312 million of early retirement of debt costs associated with our \$800 million debt retirement in the first quarter of 2018.

The graph below presents the drivers of the upstream operations change presented above, with additional details and discussion of the drivers following the graph.



Upstream Operations
Production Volumes

	Q1 2019	% of Total	Q1 2018	Change
Oil and bitumen (MBbls/d)				
Delaware Basin	60	23%	34	+74%
STACK	32	13%	34	- 4%
Powder River Basin	15	6%	15	+6%
Eagle Ford	25	10%	23	+8%
Other	6	2%	5	+7%
New Devon	138	54%	111	+24%
Canada divest assets	112	44%	129	- 13%
U.S. divest assets	4	2%	11	- 64%
Total Oil and bitumen	254	100%	251	+1%

	Q1 2019	% of Total	Q1 2018	Change
Gas (MMcf/d)				
Delaware Basin	146	15%	93	+57%
STACK	333	32%	324	+3%
Powder River Basin	18	2%	12	+56%
Eagle Ford	83	8%	63	+31%
Other	1	0%	1	- 24%
New Devon	581	57%	493	+18%
Canada divest assets	4	0%	12	- 68%
U.S. divest assets	439	43%	672	- 35%
Total	1,024	100%	1,177	- 13%

	Q1 2019	% of Total	Q1 2018	Change
NGLs (MBbls/d)				
Delaware Basin	23	22%	11	+108%
STACK	35	34%	35	+1%
Powder River Basin	2	2%	1	+45%
Eagle Ford	12	11%	8	+47%
Other	1	1%	1	+22%
New Devon	73	70%	56	+30%
Divest assets	31	30%	41	- 25%
Total	104	100%	97	+6%

	Q1 2019	% of Total	Q1 2018	Change
Combined (MBoe/d)				
Delaware Basin	107	20%	61	+76%
STACK	123	23%	123	+0%
Powder River Basin	21	4%	18	+15%
Eagle Ford	50	10%	41	+22%
Other	7	2%	6	+8%
New Devon	308	59%	249	+23%
Canada divest assets	113	21%	131	- 14%
U.S. divest assets	108	20%	164	- 34%
Total	529	100%	544	- 3%

Strong performance in the Delaware Basin and Eagle Ford drove production growth for New Devon during the first quarter of 2019 compared to the first quarter of 2018. These production gains were offset by lower production volumes associated with divest assets.

Field Prices

	Q1 2019	Realization	Q1 2018	Change
Oil and bitumen (per Bbl)				
WTI index	\$ 54.88		\$ 62.93	- 13%
Access Western Blend index	\$ 40.37		\$ 35.44	+14%
U.S.	\$ 51.83	94%	\$ 61.79	- 16%
Canada	\$ 34.60	63%	\$ 19.74	+75%
Realized price, unhedged	\$ 44.20	81%	\$ 40.15	+10%
Cash settlements	\$ (1.18)		\$ (0.10)	
Realized price, with hedges	\$ 43.02	78%	\$ 40.05	+7%

	Q1 2019	Realization	Q1 2018	Change
Gas (per Mcf)				
Henry Hub index	\$ 3.15		\$ 3.01	+5%
Realized price, unhedged	\$ 2.53	80%	\$ 2.41	+5%
Cash settlements	\$ (0.17)		\$ 0.17	
Realized price, with hedges	\$ 2.36	75%	\$ 2.58	- 9%

	Q1 2019	Realization	Q1 2018	Change
NGLs (per Bbl)				
Mont Belvieu blended index ⁽¹⁾	\$ 22.94		\$ 25.88	- 11%
Realized price, unhedged	\$ 18.64	81%	\$ 22.56	- 17%
Cash settlements	\$ 0.48		\$ (0.53)	
Realized price, with hedges	\$ 19.12	83%	\$ 22.03	- 13%

(1) Based upon composition of our NGL barrel.

	<u>Q1 2019</u>	<u>Q1 2018</u>	<u>Change</u>
Combined (per Boe)			
U.S.	\$ 28.58	\$ 30.39	- 6%
Canada	\$ 34.42	\$ 19.45	+77%
Realized price, unhedged	\$ 29.83	\$ 27.75	+8%
Cash settlements	\$ (0.82)	\$ 0.23	
Realized price, with hedges	\$ 29.01	\$ 27.98	+4%

Commodity prices realizations improved in the first quarter of 2019 compared to the first quarter of 2018, primarily driven by a near 80% increase in our realized Canadian oil and bitumen price.

Hedging

	<u>Q1 2019</u>	<u>Q1 2018</u>	<u>Change</u>
Oil	\$ (27)	\$ (2)	- 1250%
Natural gas	(16)	18	- 189%
NGL	4	(5)	+180%
Total cash settlements	(39)	11	- 455%
Valuation changes	(670)	(52)	- 1188%
Total	\$ (709)	\$ (41)	- 1629%

Production Expenses

	<u>Q1 2019</u>	<u>Q1 2018</u>	<u>Change</u>
LOE	\$ 220	\$ 241	- 9%
Gathering, processing & transportation	203	228	- 11%
Production taxes	68	59	+15%
Property taxes	15	15	+0%
Total	\$ 506	\$ 543	- 7%
Per Boe:			
LOE	\$ 4.63	\$ 4.91	- 6%
Gathering, processing & transportation	\$ 4.26	\$ 4.65	- 8%
Percent of oil, gas and NGL sales:			
Production taxes	4.8%	4.4%	+11%

LOE decreased primarily due to the impact of our U.S. non-core asset divestitures.

Gathering, processing and transportation decreased approximately \$20 million due to the expiration of the EnLink Bridgeport minimum volume commitment at the end of 2018.

Production taxes increased, on an absolute dollar basis and as a percentage of oil, gas and NGL sales, primarily due to the increase in Oklahoma severance tax rates that became effective during the third quarter of 2018.

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, 2019 and 2018.

	Three months ended March 31,	
	2019	2018
Operating cash flow from continuing operations	\$ 377	\$ 610
Divestitures of property and equipment	311	47
Capital expenditures	(548)	(651)
Acquisitions of property and equipment	(11)	(6)
Debt activity, net	(162)	(1,111)
Repurchases of common stock	(999)	(71)
Common stock dividends	(34)	(32)
Effect of exchange rate and other	(25)	(53)
Net change in cash, cash equivalents and restricted cash from discontinued operations	—	53
Net change in cash, cash equivalents and restricted cash	\$ (1,091)	\$ (1,214)
Cash, cash equivalents and restricted cash at end of period	\$ 1,355	\$ 1,470

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. However, changes in assets and liabilities, net, negatively impacted our operating cash flow by \$302 million in the first quarter of 2019 primarily due to realizing impacts associated with the Canadian widening differentials in the fourth quarter of 2018. Excluding this short-term timing impact, operating cash flow before changes in assets and liabilities, net fully funded our capital expenditures during the first three months of 2019. We utilize available cash balances and divestiture proceeds to supplement our operating cash flows.

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. During the first three months of 2018, we sold non-core U.S. assets for \$47 million, net of customary purchase price adjustments.

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.

	Q1 2019	Q1 2018
Oil and gas	\$ 541	\$ 626
Corporate and other	7	25
Total capital expenditures	\$ 548	\$ 651
Acquisitions	\$ 11	\$ 6

Capital expenditures consist of amounts related to our oil and gas exploration and development operations and other corporate activities. Our capital program is designed to operate within or near operating cash flow and maintain significant flexibility. Our capital investment program is driven by a disciplined allocation process focused on returns. Our capital expenditures are lower in 2019 primarily due to our decreased spending in the STACK.

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.

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During the first quarter of 2018, our debt decreased \$807 million due to completed tender offers of certain long-term debt. In conjunction with the tender offers, we recognized a \$312 million loss on the early retirement of debt, including \$304 million of cash retirement costs and fees. For additional information, see [Note 14](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

Shareholder Distributions and Stock Activity

Devon paid \$34 million (\$0.08 per share) and \$32 million (\$0.06 per share) in common stock dividends during the first three months of 2019 and 2018, respectively. In February 2019, we announced an increase to our quarterly dividend to \$0.09 per share beginning in the second quarter of 2019.

We repurchased 36.1 million shares of common stock for \$1.0 billion in the first quarter of 2019 and 2.6 million shares of common stock for \$82 million in the first quarter of 2018 under a share repurchase program authorized by our Board of Directors. For additional information, see [Note 18](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

Cash Flows from Discontinued Operations

All cash flows in the following table relate to activities of EnLink and the General Partner, in which all our aggregate ownership was divested in July 2018.

	Three months ended March 31, 2018
Cash flows from discontinued operations:	
Operating activities	\$ 194
Investing activities	(180)
Debt activity, net	122
Distributions to noncontrolling interests	(102)
Other	19
Financing activities	39
Net change in cash, cash equivalents and restricted cash of discontinued operations	<u>\$ 53</u>

Devon received \$67 million in distributions from EnLink and the General Partner during the first three months of 2018. Distributions to noncontrolling interests in the table above exclude the distributions EnLink and the General Partner paid to Devon, which have been eliminated in consolidation.

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 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. In February 2019, we announced plans to separate our Canadian and Barnett Shale assets and operations. We expect to complete these asset separations in 2019. We plan to use the proceeds from these transactions for debt repayments. 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.

Key inputs into determining our planned capital investment is the amount 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 2019, we held approximately \$1.3 billion of cash. 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, bitumen, 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.

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 target hedging approximately 50% of 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. The key terms to our oil, gas and NGL derivative financial instruments as of March 31, 2019 are presented in [Note 3](#) in “Item 8. Financial Statements and Supplementary Data” 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.

For 2019, we expect to aggressively optimize our cost structure in conjunction with our planned Canadian and Barnett Shale asset divestitures, as we focus on our remaining four U.S. oil plays, align our workforce with the retained business and reduce outstanding debt. We anticipate the planned \$780 million reduction of annualized costs will occur over three years, with roughly 70% of the savings delivered by the end of 2019. Approximately 40% of the reduced costs relate to our capital programs and the remainder relates to our operating expenses, including G&A, interest expense and production expenses. As of March 31, 2019, we have completed workforce reduction and cost reduction initiatives expected to generate \$110 million of annualized savings and are targeting \$200 million of G&A savings by the end of 2019.

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.

Divestitures of Property and Equipment

We announced the separation of our Canadian and Barnett Shale businesses, which we intend to complete by the end of 2019, as discussed further in [Note 2](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

Capital Expenditures

Our exploration and development budget for the remainder of 2019 is expected to range from \$1.3 billion to \$1.5 billion, excluding capital associated with our Canadian and Barnett Shale upstream assets.

Credit Availability

As of March 31, 2019, we had approximately \$2.9 billion of available borrowings 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, 2019, there were no borrowings under our commercial paper program, and we were in compliance with the 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

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Poor's Financial Services is BBB with a negative outlook. Our credit rating from Fitch is BBB+ with a negative outlook. Our credit rating from Moody's Investor Service is Ba1 with a positive outlook. Any rating downgrades may result in additional letters of credit or cash collateral being posted under certain contractual arrangements .

Share Repurchase Program

In February 2019, our Board of Directors authorized an expansion of our pre-existing share repurchase program by an additional \$1.0 billion to \$5.0 billion. The share repurchase program expires December 31, 2019. Through March 31, 2019, we had executed \$4.0 billion of the authorized program.

Critical Accounting Estimates

Income Taxes

We regularly assess factors relative to whether our foreign earnings are considered indefinitely reinvested. These factors include forecasted and actual results for both our U.S. and Canadian operations, borrowing conditions in the U.S. and existing U.S. income tax laws. Changes in any of these factors could require recognition of additional deferred, or even current, U.S. income tax expense. We accrue deferred U.S. income tax expense on our foreign earnings when the factors indicate that these earnings are no longer considered indefinitely reinvested.

During the first quarter of 2019, we announced our intent to separate all Canadian assets. As a result, our foreign earnings were no longer considered indefinitely reinvested as of March 31, 2019. However, the deferred tax asset of our Canadian investment will not be recorded until the form of the separation is certain.

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 2019 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. Additionally, we've presented our discontinued operations associated with the sale of our aggregate interests in EnLink and the General Partner separately. For more information on the results of operations for EnLink and the General Partner, see [Note 19](#) 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, costs associated with early retirement of debt, fair value changes in derivative financial instruments and foreign currency and restructuring and transaction costs associated with the workforce reductions during 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.

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

	Before tax	After tax	After Noncontrolling Interests	Per Diluted Share
2019				
Net loss (GAAP)	\$ (427)	\$ (317)	\$ (317)	\$ (0.74)
Adjustments:				
Asset dispositions	(44)	(34)	(34)	(0.08)
Asset and exploration impairments	1	1	1	0.00
Deferred tax asset valuation allowance	—	(18)	(18)	(0.04)
Fair value changes in financial instruments and foreign currency	635	484	484	1.12
Restructuring and transaction costs	54	42	42	0.10
Core earnings (Non-GAAP)	<u>\$ 219</u>	<u>\$ 158</u>	<u>\$ 158</u>	<u>\$ 0.36</u>
2018				
Continuing Operations				
Net loss (GAAP)	\$ (245)	\$ (211)	\$ (211)	\$ (0.41)
Adjustments:				
Asset dispositions	(12)	(9)	(9)	(0.02)
Asset and exploration impairments	10	7	7	0.01
Deferred tax asset valuation allowance	—	6	6	0.01
Early retirement of debt	312	240	240	0.46
Fair value changes in financial instruments and foreign currency	61	60	60	0.12
Core earnings (Non-GAAP)	<u>\$ 126</u>	<u>\$ 93</u>	<u>\$ 93</u>	<u>\$ 0.17</u>
Discontinued Operations				
Net earnings (GAAP)	\$ 64	\$ 58	\$ 14	\$ 0.03
Adjustments:				
Fair value changes in financial instruments	2	2	1	0.00
Core earnings (Non-GAAP)	<u>\$ 66</u>	<u>\$ 60</u>	<u>\$ 15</u>	<u>\$ 0.03</u>
Total				
Net loss (GAAP)	\$ (181)	\$ (153)	\$ (197)	\$ (0.38)
Adjustments:				
Continuing Operations	371	304	304	0.58
Discontinued Operations	2	2	1	0.00
Core earnings (Non-GAAP)	<u>\$ 192</u>	<u>\$ 153</u>	<u>\$ 108</u>	<u>\$ 0.20</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; depreciation, depletion and amortization; 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 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.

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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 from continuing operations to EBITDAX and a further reconciliation to Field-Level Cash Margin. We have excluded the EBITDAX and Field-Level Cash Margin for our divested assets, Canada and the Barnett Shale to compute Adjusted EBITDAX and Adjusted Field-Level Cash Margin for New Devon. We use Adjusted EBITDAX and Adjusted Field-Level Cash Margin to assess the performance of our portfolio of upstream assets on a “same-store” basis across periods.

	Three Months Ended March 31,	
	2019	2018
Net loss from continuing operations (GAAP)	\$ (317)	\$ (211)
Financing costs, net	73	387
Income tax benefit	(110)	(34)
Exploration expenses	13	33
Depreciation, depletion and amortization	459	399
Asset disposition gains	(44)	(12)
Share-based compensation	26	37
Derivative and financial instrument non-cash valuation changes	635	61
Restructuring and transaction costs	54	—
Accretion on discounted liabilities and other	(10)	12
EBITDAX (non-GAAP)	<u>779</u>	<u>672</u>
Marketing revenues and expenses, net	(32)	(6)
Commodity derivative cash settlements	39	(11)
General and administration expenses, cash-based	127	162
Field-level cash margin (non-GAAP)	<u>\$ 913</u>	<u>\$ 817</u>
EBITDAX (non-GAAP)	\$ 779	\$ 672
EBITDAX, Divested assets	(6)	(39)
EBITDAX, Canada	(154)	(189)
EBITDAX, Barnett Shale	(68)	(85)
Adjusted EBITDAX (non-GAAP)	<u>\$ 551</u>	<u>\$ 359</u>
Field-level cash margin (non-GAAP)	\$ 913	\$ 817
Field-level cash margin, Divested assets	(6)	(39)
Field-level cash margin, Canada	(210)	(82)
Field-level cash margin, Barnett Shale	(68)	(85)
Adjusted field-level cash margin (non-GAAP)	<u>\$ 629</u>	<u>\$ 611</u>

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Commodity Price Risk

As of March 31, 2019, we have commodity derivatives that pertain to a portion of our production for the last nine months of 2019 and for 2020. 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, 2019, a 10% change in the forward curves associated with our commodity derivative instruments would have changed our net positions by approximately \$230 million.

Interest Rate Risk

As of March 31, 2019, we had total debt of \$5.8 billion. All of this debt was based on fixed interest rates averaging 5.4%.

Foreign Currency Risk

Our net assets, net earnings and cash flows from our Canadian subsidiaries are based on the U.S. dollar equivalent of such amounts measured in the Canadian dollar functional currency. Assets and liabilities of the Canadian subsidiaries are translated to U.S. dollars using the applicable exchange rate as of the end of a reporting period. Revenues, expenses and cash flows are translated using an average exchange rate during the reporting period. A 10% unfavorable change in the Canadian-to-U.S. dollar exchange rate would not have materially impacted our March 31, 2019 balance sheet.

Devon engages in intercompany loan activity between subsidiaries with different functional currencies. The value of these foreign currency denominated intercompany loans increases or decreases from the remeasurement into the subsidiaries’ functional currency. Based on the amount of the intercompany loans as of March 31, 2019, a 10% change in the foreign currency exchange rates would not have materially impacted our balance sheet.

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, 2019 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

We implemented internal controls to ensure we adequately evaluated our contracts and properly assessed the impact of the new lease accounting standard on our financial statements to facilitate its adoption in the first quarter of 2019. There were no significant changes to our internal control over financial reporting due to the adoption of the new lease accounting standard. There were no other 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.

On April 4, 2019, Devon Energy Production Company, L.P., a wholly-owned subsidiary of the Company (“DEPCO”), agreed to settle its previously disclosed negotiations with the EPA relating to certain alleged Clean Air Act violations at its Beaver Creek Gas Plant located near Riverton, Wyoming by executing an agreed order with the EPA. The order includes a penalty of \$150,000 and is subject to the issuance of a final order from the regional EPA judicial officer. Moreover, in connection with the resolution of this matter with EPA, DEPCO expects to enter into consent decree with respect to the same matter with the Wyoming Department of Environmental Quality, which will also include a separate penalty of \$150,000. Any such consent decree would be subject to court approval.

Please see our [2018 Annual Report on Form 10-K](#) for additional information.

Item 1A. Risk Factors

There have been no material changes to the information included in Item 1A. “Risk Factors” in our [2018 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 2019 (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	9,888	\$ 26.05	9,836	\$ 1,766
February 1 - February 28	10,962	\$ 28.09	10,577	\$ 1,468
March 1 - March 31	15,984	\$ 29.86	15,728	\$ 998
Total	36,834	\$ 28.31	36,141	

- (1) In addition to shares purchased under the share repurchase program described below, these amounts also included 693,000 shares received by us from employees for the payment of personal income tax withholding on vesting transactions.
- (2) On March 7, 2018, we announced a \$1.0 billion share repurchase program. On June 6, 2018, we announced the expansion of this program to \$4.0 billion. On February 19, 2019, we announced a further expansion to \$5.0 billion with a December 31, 2019 expiration date. As of March 31, 2019, we had repurchased 114.3 million common shares for \$4.0 billion, or \$35.01 per share, under our share repurchases program. Future purchases under the program will be made in open market, private transactions or through the use of ASR programs.

Under the Devon Plan, eligible employees may purchase shares of our common stock through an investment in the Devon Stock Fund, which is administered by an independent trustee. Eligible employees purchased approximately 13,500 shares of our common stock in the first quarter of 2019, 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.

Similarly, eligible Canadian employees may purchase shares of our common stock through an investment in the Canadian Plan, which is administered by an independent trustee, Sun Life Assurance Company of Canada. Shares sold under the Canadian Plan were acquired through open-market purchases. These shares and any interest in the Canadian Plan were offered and sold in reliance on the exemptions for offers and sales of securities made outside of the U.S., including under Regulation S for offers and sales of securities to employees pursuant to an employee benefit plan established and administered in accordance with the law of a country other than the U.S. In the first quarter of 2019, there were 8,300 shares purchased by Canadian employees.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit Number	Description
10.1	2019 Form of Notice of Grant of Restricted Stock Award and Award Agreement under the 2017 Long-Term Incentive Plan between Devon Energy Corporation and executive officers for restricted stock awarded.*
10.2	2019 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 executive officers for performance based restricted share units awarded.*
31.1	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	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	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

* 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 1, 2019

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 Date**

Grant Type: **RSA**

Award No.: **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:

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

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) Notwithstanding the foregoing provisions of paragraphs (iii), (iv) or (v) above, in the event the Participant’s Date of Termination occurs before the one-year anniversary of the Date of Grant other than by reason of death or disability, then the number of shares of Restricted Stock that would have otherwise vested pursuant to such paragraphs 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

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.

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 Participant's Early Retirement Date or 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).

(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 of a calendar year. When calculating Years of Service hereunder, the Participant's first hire date with the Company, a Subsidiary or Affiliated Entity shall be used.

"COMPANY"

DEVON ENERGY CORPORATION
a Delaware corporation

"PARTICIPANT"

Participant Name

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.

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: _____

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: **#GrantDate#**

Grant Type: **PSU**

Award No.: **#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.

(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

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.

Notwithstanding the foregoing provisions of sub-sections (c), (d) or (e) above, in the event the Participant’s Date of Termination occurs before the one-year anniversary of the Date of Grant other than by reason of death or disability, then the number of Performance Share Units that would have otherwise vested pursuant to such sub-sections 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.

(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.

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.

(d) “ Compliance Certificate ” has the meaning set forth in Section 1.3(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 Participant’s Early Retirement Date or 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.

(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 of a calendar year. When calculating Years of Service hereunder, the Participant’s first hire date with the Company, a Subsidiary or Affiliated Entity shall be used.

“COMPANY”

DEVON ENERGY CORPORATION,
a Delaware corporation

“PARTICIPANT”

#ParticipantName#

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, 2019 and ends December 31, 2021 (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:

<u>Devon Energy Corporation</u> <u>Relative TSR Ranking</u>	<u>Vesting</u> <u>(Percentage of Target Award)</u>
1-3	200%
4	175%
5	150%
6	125%
7	100%
Median	90%
9	80%
10	70%
11	60%
12	50%
13-15	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 Anadarko Petroleum Corporation, Apache Corporation, Chesapeake Energy Corporation, Concho Resources, Inc., ConocoPhillips, Continental Resources, Inc., EnCana Corporation, EOG Resources, Inc., Hess Corporation, Marathon Oil Corporation, Murphy Oil Corporation, Noble Energy, Inc., Occidental Petroleum Corporation, and Pioneer Natural Resources Company.

(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-ratio 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.

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.

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 2019-2021 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: _____

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 1, 2019

/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 1, 2019

/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, 2019 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

David A. Hager

President and Chief Executive Officer

May 1, 2019

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, 2019 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

Jeffrey L. Ritenour

Executive Vice President and Chief Financial Officer

May 1, 2019