
**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, 2018**

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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 18, 2018, 523.4 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.

“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.

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

“LIBOR” means London Interbank Offered Rate.

“LOE” means lease operating expenses.

“MBbls” means thousand barrels.

“MBoe” means thousand Boe.

“Mcf” means thousand cubic feet.

“MMBoe” means million Boe.

“MMBtu” means million Btu.

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“MMcf” means million cubic feet.

“M&M operations” means marketing and midstream revenues minus marketing and midstream expenses.

“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.

“Tax Reform Legislation” means Tax Cuts and Jobs Act.

“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.

“/gal” means per gallon.

“/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 “expects,” “believes,” “will,” “would,” “could,” “forecasts,” “projections,” “estimates,” “plans,” “expectations,” “targets,” “opportunities,” “potential,” “anticipates,” “outlook” and other similar terminology. Such forward-looking statements are based on our examination of historical operating trends, the information used to prepare our December 31, 2017 reserve reports and other data in our possession or available from third parties. 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 oil and gas operations;
- regulatory restrictions, compliance costs and other risks relating to governmental regulation, including with respect to environmental matters;
- 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 leases, 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 [2017 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,	
	2018	2017
	(Unaudited)	
Upstream revenues	\$ 1,319	\$ 1,541
Marketing and midstream revenues	2,491	2,010
Total revenues	<u>3,810</u>	<u>3,551</u>
Production expenses	543	457
Exploration expenses	33	95
Marketing and midstream expenses	2,214	1,814
Depreciation, depletion and amortization	537	528
Asset impairments	—	7
Asset dispositions	(12)	(3)
General and administrative expenses	226	231
Financing costs, net	431	128
Other expenses	19	(31)
Total expenses	<u>3,991</u>	<u>3,226</u>
Earnings (loss) before income taxes	(181)	325
Income tax expense (benefit)	(28)	8
Net earnings (loss)	(153)	317
Net earnings attributable to noncontrolling interests	44	14
Net earnings (loss) attributable to Devon	<u>\$ (197)</u>	<u>\$ 303</u>
Net earnings (loss) per share attributable to Devon:		
Basic	\$ (0.38)	\$ 0.58
Diluted	\$ (0.38)	\$ 0.58
Comprehensive earnings (loss):		
Net earnings (loss)	\$ (153)	\$ 317
Other comprehensive earnings, net of tax:		
Foreign currency translation and other	(48)	8
Pension and postretirement plans	4	5
Other comprehensive earnings, net of tax	<u>(44)</u>	<u>13</u>
Comprehensive earnings (loss)	(197)	330
Comprehensive earnings attributable to noncontrolling interests	44	14
Comprehensive earnings (loss) attributable to Devon	<u>\$ (241)</u>	<u>\$ 316</u>

See accompanying notes to consolidated financial statements

DEVON ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2018	2017
	(Unaudited)	
Cash flows from operating activities:		
Net earnings (loss)	\$ (153)	\$ 317
Adjustments to reconcile net earnings to net cash from operating activities:		
Depreciation, depletion and amortization	537	528
Asset impairments	—	7
Leasehold impairments	8	42
Accretion on discounted liabilities	16	24
Total (gains) losses on commodity derivatives	41	(232)
Cash settlements on commodity derivatives	11	8
Gain on asset dispositions	(12)	(3)
Deferred income taxes	(32)	(12)
Share-based compensation	44	55
Early retirement of debt	312	—
Other	26	(24)
Changes in assets and liabilities, net	6	36
Net cash from operating activities	804	746
Cash flows from investing activities:		
Capital expenditures	(832)	(653)
Acquisitions of property and equipment	(6)	(20)
Divestitures of property and equipment	48	32
Proceeds from sale of investment	—	190
Other	—	(3)
Net cash from investing activities	(790)	(454)
Cash flows from financing activities:		
Borrowings of long-term debt, net of issuance costs	801	813
Repayments of long-term debt principal	(1,236)	(587)
Payment of installment payable	(250)	(250)
Early retirement of debt	(304)	—
Issuance of subsidiary units	1	55
Repurchases of common stock	(71)	—
Dividends paid on common stock	(32)	(32)
Contributions from noncontrolling interests	23	21
Distributions to noncontrolling interests	(102)	(81)
Shares exchanged for tax withholdings	(43)	(61)
Other	—	(2)
Net cash from financing activities	(1,213)	(124)
Effect of exchange rate changes on cash	(15)	(8)
Net change in cash, cash equivalents and restricted cash	(1,214)	160
Cash, cash equivalents and restricted cash at beginning of period	2,684	1,959
Cash, cash equivalents and restricted cash at end of period	\$ 1,470	\$ 2,119
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	\$ 1,424	\$ 2,119
Restricted cash included in other current assets	46	—
Total cash, cash equivalents and restricted cash	\$ 1,470	\$ 2,119

See accompanying notes to consolidated financial statements

DEVON ENERGY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	March 31, 2018 (Unaudited)	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,424	\$ 2,673
Accounts receivable	1,695	1,670
Other current assets	516	448
Total current assets	3,635	4,791
Oil and gas property and equipment, based on successful efforts accounting, net	13,475	13,318
Midstream and other property and equipment, net	7,908	7,853
Total property and equipment, net	21,383	21,171
Goodwill	2,383	2,383
Other long-term assets	1,915	1,896
Total assets	\$ 29,316	\$ 30,241
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 862	\$ 819
Revenues and royalties payable	1,269	1,180
Short-term debt	354	115
Other current liabilities	997	1,201
Total current liabilities	3,482	3,315
Long-term debt	9,628	10,291
Asset retirement obligations	1,141	1,113
Other long-term liabilities	567	583
Deferred income taxes	773	835
Equity:		
Common stock, \$0.10 par value. Authorized 1.0 billion shares; issued 526 million and 525 million shares in 2018 and 2017, respectively	53	53
Treasury stock, at cost, 0.4 million shares in 2018	(12)	—
Additional paid-in capital	7,269	7,333
Retained earnings	473	702
Accumulated other comprehensive earnings	1,122	1,166
Total stockholders' equity attributable to Devon	8,905	9,254
Noncontrolling interests	4,820	4,850
Total equity	13,725	14,104
Total liabilities and equity	\$ 29,316	\$ 30,241

See accompanying notes to consolidated financial statements

DEVON ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

	Common Stock		Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Earnings	Treasury Stock	Noncontrolling Interests	Total Equity
	Shares	Amount						
(Unaudited)								
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>
Three Months Ended March 31, 2017								
Balance as of December 31, 2016	523	\$ 52	\$ 7,237	\$ (69)	\$ 1,054	\$ —	\$ 4,448	\$ 12,722
Net earnings	—	—	—	303	—	—	14	317
Other comprehensive earnings, net of tax	—	—	—	—	13	—	—	13
Restricted stock grants, net of cancellations	2	1	—	—	—	—	—	1
Common stock repurchased	—	—	—	—	—	(38)	—	(38)
Common stock retired	—	—	(38)	—	—	38	—	—
Common stock dividends	—	—	—	(32)	—	—	—	(32)
Share-based compensation	1	—	30	—	—	—	—	30
Subsidiary equity transactions	—	—	10	—	—	—	75	85
Distributions to noncontrolling interests	—	—	—	—	—	—	(81)	(81)
Balance as of March 31, 2017	<u>526</u>	<u>\$ 53</u>	<u>\$ 7,239</u>	<u>\$ 202</u>	<u>\$ 1,067</u>	<u>\$ —</u>	<u>\$ 4,456</u>	<u>\$ 13,017</u>

See accompanying notes to consolidated financial statement

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 [2017 Annual Report on Form 10-K](#).

The accompanying unaudited interim financial statements furnished 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, 2018 and 2017 and Devon's financial position as of March 31, 2018.

Recently Adopted Accounting Standards

In January 2018, Devon adopted ASU 2014-09, *Revenue from Contracts with Customers (ASC 606)*, using the modified retrospective method. See [Note 2](#) for further discussion regarding Devon's adoption of the revenue recognition standard.

In January 2018, Devon adopted ASU 2017-07, *Compensation – Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This ASU requires entities to present the service cost component of net periodic benefit cost in the same line item as other employee compensation costs. Only the service cost component of net periodic benefit cost is eligible for capitalization. As a result of adoption of this ASU, consolidated statement of earnings presentation changes were applied retrospectively, while service cost component capitalization was applied prospectively.

In January 2018, Devon adopted ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This ASU requires an entity to show the changes in the total of cash, cash equivalents, restricted cash, and restricted cash equivalents on the statement of cash flows and to provide a reconciliation of the totals in the statement of cash flows to the related captions in the balance sheet when the cash, cash equivalents, restricted cash, and restricted cash equivalents are presented in more than one line item on the balance sheet. As a result of adoption, Devon made changes to the statement of cash flows to include the required presentation and reconciliation of cash, cash equivalents, restricted cash and restricted cash equivalents retrospectively. Other than presentation, a doption of this ASU did not have a material impact on Devon's consolidated statement of cash flows.

Issued Accounting Standards Not Yet Adopted

The FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU will supersede the lease requirements in Topic 840, *Leases*. Its objective is to increase transparency and comparability among organizations. This ASU provides guidance requiring lessees to recognize most leases on their balance sheet. Lessor accounting does not significantly change, except for some changes made to align with new revenue recognition requirements. This ASU is effective for Devon beginning January 1, 2019. Early adoption is permitted, but Devon does not plan to early adopt. Currently the guidance would be applied using a modified retrospective transition method, which requires applying the new guidance to leases that exist or are entered into after the beginning of the earliest period in the financial statements. However, the FASB recently issued Proposed ASU No. 2018-200, *Leases (Topic 842), Targeted Improvements* which would allow entities to apply the transition provisions of the new standard at its adoption date instead of at the earliest comparative period presented in the consolidated financial statements. The proposed ASU will allow entities to continue to apply the legacy guidance in Topic 840, including its disclosure requirements, in the comparative periods presented in the year the new leases standard is adopted. Entities that elect this option would still adopt the new leases standard using a modified retrospective transition method, but would recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption rather than in the earliest period presented. Recently, the FASB issued ASU No. 2018-01, *Leases (Topic 842), Land Easement Practical Expedient for Transition to Topic 842*. This ASU would permit an entity not to apply Topic 842 to land easements and rights-of-way that exist or expired before the effective date of Topic 842 and that were not previously assessed under Topic 840. An entity would continue to apply its current accounting policy for accounting for land easements that existed before the effective date of Topic 842. Once an entity adopts Topic 842, it would apply that Topic prospectively to all new (or modified) land easements and rights-of-way to determine whether the arrangement should be accounted for as a lease. For Devon, these easement and right-of-way

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

contracts represent a relatively small percentage of the aggregate value of contracts being evaluated but represent a significant number of contracts.

Devon has preliminarily determined its portfolio of leased assets and is reviewing all related contracts to determine the impact the adoption will have on its consolidated financial statements and related disclosures. Devon anticipates the adoption of this standard will significantly impact its consolidated financial statements, systems, processes and controls. Devon is in the process of designing processes and controls and implementing a technology solution needed to comply with the requirements of this ASU. While Devon cannot currently estimate the quantitative effect that ASU 2016-02 will have on its consolidated financial statements, the adoption will increase asset and liability balances on the consolidated balance sheets due to the required recognition of right-of-use assets and corresponding lease liabilities.

The FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. This ASU will expand hedge accounting for nonfinancial and financial risk components and amend measurement methodologies to more closely align hedge accounting with a company's risk management activities. The guidance also eliminates the requirement to separately measure and report hedge ineffectiveness. This ASU only applies to entities that elect hedge accounting, which Devon has not for derivative financial instruments. This ASU is effective for annual and interim periods beginning January 1, 2019, with early adoption permitted in 2018. The ASU is required to be adopted using a cumulative effect (modified retrospective) transition method, which utilizes a cumulative-effect adjustment to retained earnings in the period of adoption to account for prior period effects rather than restating previously reported results. Devon is currently evaluating the provisions of this ASU and assessing the impact it may have on its consolidated financial statements if hedge accounting were elected by Devon in the future.

The FASB issued ASU 2018-02, *Income Statement - Reporting Comprehensive Income - Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (Topic 220)*. This ASU allows for a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the Tax Reform Legislation. The ASU is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years and allows for early adoption in any interim period after issuance of the update. Devon is currently assessing the impact this ASU will have on its consolidated financial statements.

2. Revenue Recognition

Impact of ASC 606 Adoption

Devon adopted ASC 606 - *Revenue from Contracts with Customers* (ASC 606) using the modified retrospective method and has applied the standard to all existing contracts. ASC 606 supersedes previous revenue recognition requirements in ASC 605 and includes a five-step revenue recognition model to depict the transfer of goods or services to customers in an amount that reflects the consideration in exchange for those goods or services.

The impact of adoption in the current period results is as follows:

	Three Months Ended March 31, 2018		
	Under ASC 606	Under ASC 605	Increase/(Decrease)
Upstream revenues	\$ 1,319	\$ 1,257	\$ 62
Marketing and midstream revenues	2,491	2,629	(138)
Total impacted revenues	<u>\$ 3,810</u>	<u>\$ 3,886</u>	<u>\$ (76)</u>
Production expenses	\$ 543	\$ 481	\$ 62
Marketing and midstream expenses	2,214	2,352	(138)
Total impacted expenses	<u>\$ 2,757</u>	<u>\$ 2,833</u>	<u>\$ (76)</u>
Loss before income taxes	<u>\$ (181)</u>	<u>\$ (181)</u>	<u>\$ —</u>

Changes to upstream revenues and production expenses are due to the conclusion that Devon represents the principal and controls a promised product before transferring it to the ultimate third party customer in accordance with the control model in ASC

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

606. This is a change from previous conclusions reached for these agreements utilizing the principal versus agent indicators under ASC 605 where the assessment was focused on Devon passing title and not control to the processing entity and Devon ultimately receiving a net price from the third-party end customer. As a result, Devon has changed the presentation of revenues and expenses for these agreements. Revenues related to these agreements are now presented on a gross basis for amounts expected to be received from third-party customers through the marketing process. Gathering, processing and transportation expenses related to these agreements, incurred prior to the transfer of control to the customer at the tailgate of the natural gas processing facilities, are now presented as production expenses.

Changes to marketing and midstream revenues and expenses are due to the determination of when control is transferred. As a result, Devon has changed the classification of certain transactions from marketing and midstream revenues to expenses or from marketing and midstream expenses to revenues.

Upstream Revenues

Upstream revenues include the sale of oil, gas and NGL production. Oil, gas and NGL sales are recognized when production is sold to a purchaser at a fixed or determinable price, delivery has occurred, control has transferred and collectability of the revenue is probable. Devon's performance obligations are satisfied at a point in time. This occurs when control is transferred to the purchaser upon delivery of contract specified production volumes at a specified point. The transaction price used to recognize revenue is a function of the contract billing terms. Revenue is invoiced by calendar month based on volumes at contractually based rates with payment typically received within 30 days of the end of the production month. Taxes assessed by governmental authorities on oil, gas and NGL sales are presented separately from such revenues in the accompanying consolidated comprehensive statements of earnings.

Natural gas and NGL Sales

Under Devon's natural gas processing contracts, natural gas is delivered to a midstream processing entity at the wellhead or the inlet of the midstream processing entity's system. The midstream processing entity gathers and processes the natural gas and remits proceeds for the resulting sales of NGLs and residue gas. In these scenarios, Devon evaluates whether it is the principal or the agent in the transaction. Devon has concluded it is the principal under these contracts and the ultimate third party is the customer. Revenue is recognized on a gross basis, with gathering, processing and transportation fees presented as a component of production expenses in the consolidated comprehensive statement of earnings.

In certain natural gas processing agreements, Devon may elect to take residue gas and/or NGLs in-kind at the tailgate of the midstream entity's processing plant and subsequently market the product. Through the marketing process, the product is delivered to the ultimate third-party purchaser at a contractually agreed-upon delivery point and Devon receives a specified index price from the purchaser. In this scenario, revenue is recognized when control transfers to the purchaser at the delivery point based on the index price received from the purchaser. The gathering, processing and compression fees attributable to the gas processing contract, as well as any transportation fees incurred to deliver the product to the purchaser, are presented as gathering, processing and transportation expense as a component of production expenses in the consolidated comprehensive statement of earnings.

Oil sales

Devon's oil sales contracts are generally structured in one of two ways. First, production is sold at the wellhead at an agreed-upon index price, net of pricing differentials. In this scenario, revenue is recognized when control transfers to the purchaser at the wellhead at the net price received. Alternatively, production is delivered to the purchaser at a contractually agreed-upon delivery point at which the purchaser takes custody, title and risk of loss of the product. Under this arrangement, a third party is paid to transport the product and receive a specified index price from the purchaser with no deduction. In this scenario, revenue is recognized when control transfers to the purchaser at the delivery point based on the price received from the purchaser. The third-party costs are recorded as gathering, processing and transportation expense as a component of production expenses in the consolidated comprehensive statement of earnings.

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

Marketing and Midstream Revenues

Marketing and midstream revenues are generated as a result of performing gathering, transmission, processing, fractionation, storage, condensate stabilization, brine services and marketing, through various contractual arrangements, which include fee-based arrangements or arrangements where Devon purchases and resells commodities in connection with providing the related service and earns a net margin for its fee. Marketing and midstream revenues are recognized when performance obligations are satisfied. This occurs at the time contract specified products are sold or services are provided to third parties at a contractually fixed or determinable price, delivery occurs at a specified point or performance has occurred, control has transferred and collectability of the revenue is probable. Control is transferred from the producer when the midstream processor has discretion on the sale or further processing of the liquids. The transaction price used to recognize revenue and invoice customers is based on a contractually stated fee or on a third party published index price plus or minus a known differential. Devon typically receives payment for invoiced amounts within 30 days. Marketing and midstream revenues and expenses attributable to oil, gas and NGL purchases, transportation and processing contracts are reported on a gross basis when Devon takes control of the products and has risks and rewards of ownership.

For contracts where control of commodities is transferred before the service is performed, Devon generally has no performance obligation for its services, and accordingly, does not consider these revenue-generating service contracts. Based on that determination, all fees or fee-equivalent deductions stated in such contracts reduce the cost to purchase commodities. Alternatively, for contracts where control of commodities is transferred after the service is performed, Devon considers these contracts to contain performance obligations for its services. Accordingly, Devon considers the satisfaction of these performance obligations as revenue-generating and recognizes these fees as midstream services revenue at the time its performance obligations are satisfied. For contracts where control of commodities is never transferred, Devon simply earns a fee for its services and recognizes these fees as midstream services revenue at the time its performance obligations are satisfied.

Satisfaction of Performance Obligations and Revenue Recognitions

Since Devon has a right to consideration from its customers in amounts that correspond directly to the value that the customer receives from the performance completed on each contract, Devon applies the practical expedient in ASC 606 that allows recognition of revenue in the amount to which there is a right to invoice and prevents the need to estimate a transaction price for each contract and allocating that transaction price to the performance obligations within each contract. Devon recognizes revenue for sales or services at the time the natural gas, NGLs, crude oil or condensate are delivered at a fixed or determinable price.

Transaction Price Allocated to Remaining Performance Obligations

Most of Devon's contracts are short-term in nature with a contract term of one year or less. Devon applies the practical expedient in ASC 606 exempting the disclosure of the transaction price allocated to remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less. For contracts with terms greater than one year, Devon applies the practical expedient in ASC 606 exempting the disclosure of the transaction price allocated to remaining performance obligations if the variable consideration is allocated entirely to a wholly unsatisfied performance obligation. Under Devon's contracts, each unit of product typically represents a separate performance obligation; therefore, future volumes are wholly unsatisfied and disclosure of the transaction price allocated to remaining performance obligations is not required.

Contract Balances

Cash received relating to future performance obligations are deferred and recognized when all revenue recognition criteria are met. Contract liabilities generated from such deferred revenue are not considered material as of March 31, 2018. Devon's product sales and marketing and midstream contracts do not give rise to contract assets under ASC 606.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
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Disaggregation of Revenue

Revenue from both upstream revenues and marketing and midstream revenues represent revenue from contracts with customers and these revenue line items are reflected in the consolidated comprehensive statements of earnings. The following table presents revenue from contracts with customers that are disaggregated based on the type of good or service. During the quarter ended March 31, 2018, no purchaser accounted for more than 10% of Devon's consolidated sales revenue.

	Three Months Ended March 31, 2018			
	U.S.	Canada	EnLink (1)	Total
Revenues from contracts with customers:				
Oil	\$ 677	\$ 230	\$ —	\$ 907
Gas	255	—	—	255
NGL	198	—	—	198
Oil, gas and NGL sales	1,130	230	—	1,360
Oil, gas and NGL derivatives	(113)	72	—	(41)
Total upstream revenues	1,017	302	—	1,319
Gathering and transportation	—	—	56	56
Processing	—	—	15	15
NGL services	—	—	16	16
Oil services	—	—	6	6
Total midstream services revenue	—	—	93	93
Oil and condensate	531	17	632	1,180
Gas	155	—	286	441
NGL	176	—	601	777
Total product sales	862	17	1,519	2,398
Total marketing and midstream revenues	862	17	1,612	2,491
Total revenues from contracts with customers	<u>\$ 1,879</u>	<u>\$ 319</u>	<u>\$ 1,612</u>	<u>\$ 3,810</u>

(1) Amounts presented net of eliminations

3. Acquisitions and Divestitures**Devon Divestitures**

In March 2018, Devon entered into a definitive agreement to sell a portion of its Barnett Shale assets, primarily located in Johnson County for \$553 million, before purchase price adjustments. The transaction is expected to close in the second quarter of 2018. Estimated proved reserves associated with these assets are approximately 10% of total proved reserves. Devon anticipates the impact of the Johnson County divestiture will result in an adjustment to its capitalized costs with no gain recognition in the consolidated statement of earnings. In conjunction with the divestiture, Devon will settle certain gas processing contracts and expects to recognize an approximate \$40 million settlement expense.

EnLink Divestitures

During the first quarter of 2017, EnLink divested its ownership interest in Howard Energy Partners for approximately \$190 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
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4. 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 and EnLink periodically enter into derivative financial instruments with respect to a portion of their 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, 2018, Devon did not have any open 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, 2018, Devon had the following open oil derivative positions. The first table presents Devon's oil derivatives that settle against the average of the prompt month NYMEX WTI futures price. The second table presents Devon's oil derivatives that settle against the respective indices noted within the table.

Period	Price Swaps			Price Collars		
	Volume (Bbls/d)	Weighted Average Price (\$/Bbl)		Volume (Bbls/d)	Weighted Average Floor Price (\$/Bbl)	Weighted Average Ceiling Price (\$/Bbl)
Q2-Q4 2018	58,855	\$ 53.74		83,167	\$ 50.28	\$ 60.28
Q1-Q4 2019	17,030	\$ 55.37		43,290	\$ 50.94	\$ 60.94

Period	Index	Oil Basis Swaps		Oil Basis Collars		
		Volume (Bbls/d)	Weighted Average Differential to WTI (\$/Bbl)	Volume (Bbls/d)	Weighted Average Floor Differential to WTI (\$/Bbl)	Weighted Average Ceiling Differential to WTI (\$/Bbl)
Q2-Q4 2018	Midland Sweet	23,000	\$ (1.02)	—	\$ —	\$ —
Q2-Q4 2018	Argus LLS	12,000	\$ 3.95	—	\$ —	\$ —
Q2-Q4 2018	Western Canadian Select	69,018	\$ (14.91)	1,775	\$ (15.50)	\$ (13.93)
Q1-Q4 2019	Midland Sweet	28,000	\$ (0.46)	—	\$ —	\$ —

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
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As of March 31, 2018, 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 swaps that settle against the NYMEX last day settle natural gas index. The third 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 2018	378,033	\$ 2.97	201,867	\$ 2.79	\$ 3.10
Q1-Q4 2019	52,622	\$ 2.90	52,844	\$ 2.77	\$ 3.07

Period	Volume (MMBtu/d)	Weighted Average Price (\$/MMBtu)
Q1-Q4 2019	128,164	\$ 2.78
Q1-Q4 2020	116,364	\$ 2.73

Period	Index	Natural Gas Basis Swaps	
		Volume (MMBtu/d)	Weighted Average Differential to Henry Hub (\$/MMBtu)
Q2-Q4 2018	Panhandle Eastern Pipe Line	90,000	\$ (0.43)
Q2-Q4 2018	El Paso Natural Gas	30,000	\$ (0.85)
Q2-Q4 2018	Houston Ship Channel	60,000	\$ (0.01)
Q2-Q4 2018	Transco Zone 4	10,036	\$ (0.03)
Q1-Q4 2019	Houston Ship Channel	32,500	\$ (0.02)
Q1-Q4 2019	Transco Zone 4	7,397	\$ (0.03)

As of March 31, 2018, 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 2018	Ethane	6,500	\$ 11.86
Q2-Q4 2018	Natural Gasoline	5,500	\$ 54.24
Q2-Q4 2018	Normal Butane	6,750	\$ 38.46
Q2-Q4 2018	Propane	10,500	\$ 33.30

As of March 31, 2018, EnLink had the following open derivative positions associated with gas processing and fractionation. EnLink's NGL positions settle by purity product against the average of the prompt month OPIS Mont Belvieu, Texas index. EnLink's natural gas positions settle against the Henry Hub Gas Daily index.

Period	Product	Volume (Total)		Weighted Average Price Paid	Weighted Average Price Received
Q2 2018-Q1 2019	Propane	688	MBbls	Index	\$0.75/gal
Q2 2018-Q4 2019	Natural Gas	71,418	MMBtu/d	Index	\$2.10/MMBtu

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
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Interest Rate Derivatives

As of March 31, 2018, Devon had the following open interest rate derivative positions:

	Notional	Rate Received	Rate Paid	Expiration
\$	750	Three Month LIBOR	2.98%	December 2048 ⁽¹⁾
\$	100	1.76%	Three Month LIBOR	January 2019

(1) Mandatory settlement in December 2018.

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,	
	2018	2017
Commodity derivatives:		
Upstream revenues	\$ (41)	\$ 232
Marketing and midstream revenues	1	4
Interest rate derivatives:		
Other expenses	46	5
Net gains recognized	\$ 6	\$ 241

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

	March 31, 2018	December 31, 2017
Commodity derivative assets:		
Other current assets	\$ 193	\$ 209
Other long-term assets	22	2
Interest rate derivative assets:		
Other current assets	1	1
Total derivative assets	\$ 216	\$ 212
Commodity derivative liabilities:		
Other current liabilities	\$ 328	\$ 267
Other long-term liabilities	27	27
Interest rate derivative liabilities:		
Other current liabilities	22	64
Total derivative liabilities	\$ 377	\$ 358

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5. Share-Based Compensation

The table below presents the share-based compensation expense included in Devon's accompanying consolidated comprehensive statements of earnings.

	Three Months Ended March 31,	
	2018	2017
G&A	\$ 37	\$ 34
Exploration expenses	2	2
Total Devon	39	36
G&A	3	14
Marketing and midstream expenses	2	5
Total EnLink	5	19
Total	\$ 44	\$ 55
Related income tax benefit	\$ 1	\$ 1

Under its approved long-term incentive plan, Devon granted share-based awards to certain employees in the first three months of 2018. 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 12/31/17	6,328	\$ 36.81	575	\$ 38.92	2,758	\$ 41.21
Granted	3,425	\$ 35.77	—	\$ —	845	\$ 37.40
Vested	(2,286)	\$ 38.82	(227)	\$ 43.14	(571)	\$ 84.22
Forfeited	(85)	\$ 35.13	—	\$ —	(3)	\$ 27.12
Unvested at 3/31/18	7,382	\$ 35.72	348	\$ 36.17	3,029 (1)	\$ 30.35

(1) A maximum of 6.1 million common shares could be awarded based upon Devon's final TSR ranking relative to Devon's peer group established under applicable award agreements.

The following table presents the assumptions related to the performance share units granted in 2018, as indicated in the previous summary table.

	2018	
Grant-date fair value	\$36.23	\$37.88
Risk-free interest rate	2.28%	
Volatility factor	45.8%	
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, 2018.

	Restricted Stock Awards and Units		Performance-Based Restricted Stock Awards		Performance Share Units	
Unrecognized compensation cost	\$ 213	\$	3	\$	53	\$
Weighted average period for recognition (years)	2.9		1.5		2.2	

DEVON ENERGY CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
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EnLink Share-Based Awards

The General Partner and EnLink issue restricted incentive units as bonus payments to officers and certain employees in the first quarter each year for the prior year's performance. For the first quarter of 2018 and the first quarter of 2017, the combined grant date fair value for these awards was \$6 million and \$10 million, respectively.

The following table presents a summary of the unrecognized compensation cost and the related weighted average recognition period associated with the General Partner's and EnLink's unvested restricted incentive units and performance units as of March 31, 2018.

	General Partner		EnLink	
	Restricted Incentive Units	Performance Units	Restricted Incentive Units	Performance Units
Unrecognized compensation cost	\$ 19	\$ 8	\$ 20	\$ 8
Weighted average period for recognition (years)	2.1	2.3	2.2	2.3

6. Asset Impairments**Unproved Impairments**

In the first quarter of 2018 and 2017, Devon allowed certain non-core acreage to expire without plans for development, resulting in unproved impairments of \$8 million and \$41 million, respectively. Unproved impairments are included in exploration expenses in the consolidated comprehensive statements of earnings.

7. Other Expenses

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

	Three Months Ended March 31,	
	2018	2017
Foreign exchange (gain) loss, net	\$ 50	\$ (15)
Asset retirement obligation accretion	16	17
Other, net	(47)	(33)
Total	\$ 19	\$ (31)

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
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Certain of Devon's non-Canadian foreign subsidiaries have a U.S. dollar functional currency, hold Canadian-dollar cash and engage in intercompany loans with Canadian subsidiaries that are based in Canadian dollars. The value of the Canadian-dollar cash and intercompany loans increases or decreases from the remeasurement of the cash and loans into the U.S. dollar functional currency. During the first quarter of 2018, Devon recognized foreign exchange losses related to these activities resulting from the strengthening of the U.S. dollar in relation to the Canadian dollar.

Restructuring and Transaction Costs

The following table summarizes Devon's restructuring liabilities.

	Other Current Liabilities	Other Long-term Liabilities	Total
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>
Balance as of December 31, 2016	48	62	110
Changes related to prior years' restructurings	(15)	(5)	(20)
Balance as of March 31, 2017	<u>\$ 33</u>	<u>\$ 57</u>	<u>\$ 90</u>

In April 2018, Devon announced workforce reductions and other initiatives designed to enhance its operational focus and cost structure. As a result, Devon will incur additional restructuring charges and liabilities, ranging from \$75 million to \$100 million, beginning in the second quarter of 2018.

8. Income Taxes

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

	Three Months Ended March 31,	
	2018	2017
Current income tax expense	\$ 4	\$ 20
Deferred income tax benefit	(32)	(12)
Total income tax expense (benefit)	<u>\$ (28)</u>	<u>\$ 8</u>
U.S. statutory income tax rate	21%	35%
State income taxes	1%	2%
Other	(5%)	(1%)
Deferred tax asset valuation allowance	(2%)	(34%)
Effective income tax rate	<u>15%</u>	<u>2%</u>

Devon estimates its annual effective income tax rate in recording 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. Under the Tax Reform Legislation, the U.S. corporate income tax rate was reduced to 21% effective January 1, 2018.

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 have a more noticeable impact to the rate in the first quarter of 2018 due to lower relative earnings during the period.

Throughout 2017 and through the first quarter of 2018, Devon continued to maintain a 100% valuation allowance against its U.S. deferred tax assets resulting from prior year cumulative financial losses largely due to oil and gas impairments and significant net

DEVON ENERGY CORPORATION AND SUBSIDIARIES
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operating losses for U.S. federal and state income tax. Furthermore, a partial allowance continues to be held against certain Canadian segment deferred tax assets.

During the first quarter of 2018, Devon repatriated approximately \$92 million from certain international entities. This repatriation had no tax impact.

In December 2017, the SEC staff issued Staff Accounting Bulletin No. 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act* (SAB 118), which allows Devon to record provisional amounts during a measurement period not to extend beyond one year after the enactment date. As the Tax Reform Legislation was passed late in the fourth quarter of 2017 and ongoing guidance and accounting interpretation are expected over the next 12 months, Devon considers the accounting of the transition tax, deferred tax remeasurements and other items to be incomplete due to the forthcoming guidance and ongoing analysis of Devon's tax positions. Devon expects to complete its analysis within the measurement period in accordance with SAB 118. No material changes to the provisional amounts recorded in the fourth quarter of 2017 have been made during the first quarter of 2018.

Devon is under audit in the U.S. and various foreign jurisdictions as part of its normal course of business. The timing of resolution of income tax examinations is uncertain as are the amounts and timing of tax payments that are part of any audit settlement process. Devon believes that within the next 12 months it is reasonably possible that certain tax examinations will be resolved by settlement with the taxing authorities.

9. Net Earnings (Loss) Per Share Attributable to Devon

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

	Three Months Ended March 31,	
	2018	2017
Net earnings (loss):		
Net earnings (loss) attributable to Devon	\$ (197)	\$ 303
Attributable to participating securities	—	(3)
Basic and diluted earnings (loss)	<u>\$ (197)</u>	<u>\$ 300</u>
Common shares:		
Common shares outstanding - total	527	525
Attributable to participating securities	(7)	(6)
Common shares outstanding - basic	520	519
Dilutive effect of potential common shares issuable	—	3
Common shares outstanding - diluted	<u>520</u>	<u>522</u>
Net earnings (loss) per share attributable to Devon:		
Basic	\$ (0.38)	\$ 0.58
Diluted	\$ (0.38)	\$ 0.58
Antidilutive options ⁽¹⁾	2	3

(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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
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10. Other Comprehensive Earnings

Components of other comprehensive earnings consist of the following:

	Three Months Ended March 31,	
	2018	2017
Foreign currency translation and other:		
Beginning accumulated foreign currency translation and other	\$ 1,309	\$ 1,226
Change in cumulative translation adjustment and other	(61)	11
Income tax benefit (expense)	13	(3)
Ending accumulated foreign currency translation and other	<u>1,261</u>	<u>\$ 1,234</u>
Pension and postretirement benefit plans:		
Beginning accumulated pension and postretirement benefits	(143)	(172)
Recognition of net actuarial loss and prior service cost in earnings (1)	4	5
Ending accumulated pension and postretirement benefits	<u>(139)</u>	<u>(167)</u>
Accumulated other comprehensive earnings, net of tax	<u>\$ 1,122</u>	<u>\$ 1,067</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 18](#) for additional details.

11. Supplemental Information to Statements of Cash Flows

	Three Months Ended March 31,	
	2018	2017
Changes in assets and liabilities, net		
Accounts receivable	\$ (27)	\$ 48
Other current assets	(79)	(21)
Other long-term assets	(52)	1
Accounts payable	14	4
Revenues and royalties payable	84	73
Other current liabilities	76	(89)
Other long-term liabilities	(10)	20
Total	<u>\$ 6</u>	<u>\$ 36</u>
Interest paid (net of capitalized interest)	\$ 76	\$ 92
Income taxes paid	\$ 1	\$ 3

12. Accounts Receivable

Components of accounts receivable include the following:

	March 31, 2018	December 31, 2017
Oil, gas and NGL sales	\$ 536	\$ 559
Joint interest billings	132	134
Marketing and midstream revenues	989	959
Other	50	29
Gross accounts receivable	<u>1,707</u>	<u>1,681</u>
Allowance for doubtful accounts	(12)	(11)
Net accounts receivable	<u>\$ 1,695</u>	<u>\$ 1,670</u>

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13. 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.

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Property and equipment, at cost:		
Proved	\$ 47,685	\$ 47,295
Unproved and properties under development	2,478	2,457
Total oil and gas	50,163	49,752
Less accumulated DD&A	(36,688)	(36,434)
Oil and gas property and equipment, net	13,475	13,318
EnLink midstream and other	9,298	9,120
Devon midstream and other	1,957	1,955
Less accumulated DD&A	(3,347)	(3,222)
Midstream and other property and equipment, net	7,908	7,853
Property and equipment, net	<u>\$ 21,383</u>	<u>\$ 21,171</u>

14. Other Intangible Assets

The following table presents other intangible assets reported in other long-term assets in the accompanying consolidated balance sheets.

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Customer relationships	\$ 1,796	\$ 1,796
Accumulated amortization	(330)	(299)
Net intangibles	<u>\$ 1,466</u>	<u>\$ 1,497</u>

The weighted-average amortization period for other intangible assets is 15 years. Amortization expense for intangibles was \$31 million and \$29 million for the three months ended March 31, 2018 and 2017, respectively. The remaining amortization expense is estimated to be \$123 million for each of the next five years.

15. Other Current Liabilities

Components of other current liabilities include the following:

	<u>March 31, 2018</u>	<u>December 31, 2017</u>
Derivative liabilities	\$ 350	\$ 331
Installment payment	—	250
Income taxes payable	142	145
Accrued interest payable	147	131
Restructuring liabilities	18	19
Other	340	325
Other current liabilities	<u>\$ 997</u>	<u>\$ 1,201</u>

EnLink's final installment payment relating to its acquisition of Anadarko Basin gathering and processing midstream assets in 2016 was paid in January 2018 using borrowings under EnLink's credit facility.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)
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16. Debt and Related Expenses

A summary of debt is as follows:

	March 31, 2018	December 31, 2017
Devon debt:		
8.25% due July 1, 2018	\$ 20	\$ 20
2.25% due December 15, 2018	95	95
6.30% due January 15, 2019	162	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	1,059
7.95% due April 15, 2032 (1)	366	789
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	(25)	(30)
Debt issuance costs	(35)	(39)
Total Devon debt	<u>6,066</u>	<u>6,864</u>
EnLink and General Partner debt:		
Credit facilities	447	74
2.70% due April 1, 2019	400	400
4.40% due April 1, 2024	550	550
4.15% due June 1, 2025	750	750
4.85% due July 15, 2026	500	500
5.60% due April 1, 2044	350	350
5.05% due April 1, 2045	450	450
5.45% due June 1, 2047	500	500
Net discount on debentures and notes	(6)	(6)
Debt issuance costs	(25)	(26)
Total EnLink and General Partner debt	<u>3,916</u>	<u>3,542</u>
Total debt	<u>9,982</u>	<u>10,406</u>
Less amount classified as short-term debt (2)	354	115
Total long-term debt	<u>\$ 9,628</u>	<u>\$ 10,291</u>

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

(2) Short-term debt as of March 31, 2018 consists of Devon's \$20 million of 8.25% senior notes due July 1, 2018, \$95 million of 2.25% senior notes due December 15, 2018 and \$162 million of 6.30% senior notes due January 15, 2019 and \$77 million of borrowings under the General Partner's credit facility due March 7, 2019.

Credit Lines

Devon has a \$3.0 billion Senior Credit Facility. As of March 31, 2018, Devon had \$51 million in outstanding letters of credit under the Senior Credit Facility. There were no outstanding borrowings under the Senior Credit Facility at March 31, 2018. 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, 2018, Devon was in compliance with this covenant with a debt-to-capitalization ratio of 26.2%.

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

Retirement of Senior Notes

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.

EnLink Debt

All of EnLink's and the General Partner's debt is non-recourse to Devon.

EnLink has a \$1.5 billion unsecured revolving credit facility. As of March 31, 2018, there were \$10 million in outstanding letters of credit and \$370 million in outstanding borrowings at an average rate of 3.3% under the \$1.5 billion credit facility. The General Partner has a \$250 million secured revolving credit facility. As of March 31, 2018, the General Partner had \$77 million in outstanding borrowings at an average rate of 3.5%. EnLink and the General Partner were in compliance with all financial covenants in their respective credit facilities as of March 31, 2018.

Net Financing Costs

The following schedule includes the components of net financing costs.

	Three Months Ended March 31,	
	2018	2017
Devon net financing costs:		
Interest based on debt outstanding	\$ 96	\$ 97
Early retirement of debt	312	—
Capitalized interest	(18)	(16)
Other	(3)	2
Total Devon net financing costs	387	83
EnLink net financing costs:		
Interest based on debt outstanding	44	40
Interest accretion on deferred installment payment	1	7
Other	(1)	(2)
Total EnLink net financing costs	44	45
Total net financing costs	\$ 431	\$ 128

17. Asset Retirement Obligations

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

	Three Months Ended March 31,	
	2018	2017
Asset retirement obligations as of beginning of period	\$ 1,152	\$ 1,272
Liabilities incurred and assumed through acquisitions	15	10
Liabilities settled and divested	(20)	(13)
Revision of estimated obligation	23	(184)
Accretion expense on discounted obligation	16	17
Foreign currency translation adjustment	(13)	4
Asset retirement obligations as of end of period	1,173	1,106
Less current portion	32	39
Asset retirement obligations, long-term	\$ 1,141	\$ 1,067

During the first quarter of 2017, Devon reduced its estimated asset retirement obligations by \$184 million primarily due to changes in the assumed inflation rate and retirement dates for its oil and gas assets.

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

18. Retirement Plans

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

	Pension Benefits	
	Three Months Ended	
	March 31,	
	2018	2017
Service cost	\$ 3	\$ 4
Interest cost	10	11
Expected return on plan assets	(14)	(14)
Amortization of prior service cost (1)	—	1
Net actuarial loss (1)	4	4
Net periodic benefit cost (2)	<u>\$ 3</u>	<u>\$ 6</u>

(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.

19. Stockholders' Equity

Devon announced a share-repurchase program to buy up to \$1.0 billion of shares of common stock, which expires March 7, 2019. During the first quarter of 2018, Devon repurchased 2.6 million shares of common stock for \$83 million, or \$32.19 per share, under this program.

Devon paid common stock dividends of \$32 million, or \$0.06 per share, in the first three months of 2018 and 2017, respectively. Additionally, Devon announced a 33% increase to its quarterly dividend beginning in the second quarter of 2018.

20. Noncontrolling Interests***Subsidiary Equity Transactions***

As of March 31, 2018, Devon's ownership interest in EnLink was 23%, excluding the interest held by the General Partner. Devon's controlling ownership interest in the General Partner as of March 31, 2018 was 64%.

EnLink has the ability to sell common units through its "at the market" equity offering programs. During the first three months of 2017, EnLink issued and sold 3 million common units through its programs and generated \$55 million in net proceeds.

Distributions to Noncontrolling Interests

EnLink and the General Partner distributed \$102 million and \$81 million to non-Devon unitholders during the first three months of 2018 and 2017, respectively.

21. Commitments and Contingencies

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

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

Royalty Matters

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

Environmental Matters

Devon is subject to certain environmental, health and safety laws and regulations, including with respect 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.

Other Matters

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

22. Fair Value Measurements

The following table provides carrying value and fair value measurement information for certain of Devon's financial assets and liabilities. None of the items below are measured using Level 3 inputs. The carrying values of cash, accounts receivable, other current receivables, accounts payable, other current payables and accrued expenses included in the accompanying consolidated balance sheets approximated fair value at March 31, 2018 and December 31, 2017. Therefore, such financial assets and liabilities are not presented in the following table. Additionally, the fair values of oil and gas assets, goodwill and other intangible assets and related impairments are measured as of the impairment date using Level 3 inputs. More information on these items is provided in [Note 6](#) and [Note 14](#), respectively.

	Carrying Amount	Total Fair Value	Fair Value Measurements Using:	
			Level 1 Inputs	Level 2 Inputs
March 31, 2018 assets (liabilities):				
Cash equivalents	\$ 335	\$ 335	\$ 259	\$ 76
Commodity derivatives	\$ 215	\$ 215	\$ —	\$ 215
Commodity derivatives	\$ (355)	\$ (355)	\$ —	\$ (355)
Interest rate derivatives	\$ 1	\$ 1	\$ —	\$ 1
Interest rate derivatives	\$ (22)	\$ (22)	\$ —	\$ (22)
Debt	\$ (9,982)	\$ (10,719)	\$ —	\$ (10,719)
Capital lease obligations	\$ (4)	\$ (3)	\$ —	\$ (3)
December 31, 2017 assets (liabilities):				
Cash equivalents	\$ 1,533	\$ 1,533	\$ 1,454	\$ 79
Commodity derivatives	\$ 211	\$ 211	\$ —	\$ 211
Commodity derivatives	\$ (294)	\$ (294)	\$ —	\$ (294)
Interest rate derivatives	\$ 1	\$ 1	\$ —	\$ 1
Interest rate derivatives	\$ (64)	\$ (64)	\$ —	\$ (64)
Debt	\$ (10,406)	\$ (11,782)	\$ —	\$ (11,782)
Installment payment	\$ (250)	\$ (250)	\$ —	\$ (250)
Capital lease obligations	\$ (4)	\$ (3)	\$ —	\$ (3)

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

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 U.S. and Canadian treasury securities. The fair value approximates the carrying value.

Level 2 Fair Value Measurements

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

Commodity and interest rate derivatives – The fair values of commodity and interest rate derivatives are 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. The fair value of the credit facility balance is the carrying value.

Installment payment – The fair value of the EnLink installment payment was based on Level 2 inputs from third-party market quotations.

Capital lease obligations – The fair value was calculated using inputs from third-party banks.

23. 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.

Devon considers EnLink, combined with the General Partner, to be an operating segment that is distinct from the U.S. and Canadian operating segments. EnLink's operations consist of midstream assets and operations located across the U.S. Additionally, EnLink has a management team that is primarily responsible for capital and resource allocation decisions. Therefore, EnLink is presented as a separate reporting segment.

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

	U.S.	Canada	EnLink	Eliminations	Total
Three Months Ended March 31, 2018:					
Revenues from external customers	\$ 1,879	\$ 319	\$ 1,612	\$ —	\$ 3,810
Intersegment revenues	\$ —	\$ —	\$ 149	\$ (149)	\$ —
Depreciation, depletion and amortization	\$ 305	\$ 94	\$ 138	\$ —	\$ 537
Interest expense	\$ 247	\$ 164	\$ 44	\$ (16)	\$ 439
Asset dispositions	\$ (12)	\$ —	\$ —	\$ —	\$ (12)
Earnings (loss) before income taxes	\$ (100)	\$ (145)	\$ 64	\$ —	\$ (181)
Income tax expense (benefit)	\$ 1	\$ (35)	\$ 6	\$ —	\$ (28)
Net earnings (loss)	\$ (101)	\$ (110)	\$ 58	\$ —	\$ (153)
Net earnings attributable to noncontrolling interests	\$ —	\$ —	\$ 44	\$ —	\$ 44
Net earnings (loss) attributable to Devon	\$ (101)	\$ (110)	\$ 14	\$ —	\$ (197)
Property and equipment, net	\$ 10,538	\$ 4,186	\$ 6,659	\$ —	\$ 21,383
Total assets	\$ 13,477	\$ 5,271	\$ 10,615	\$ (47)	\$ 29,316
Capital expenditures, including acquisitions	\$ 612	\$ 89	\$ 181	\$ —	\$ 882
Three Months Ended March 31, 2017:					
Revenues from external customers	\$ 2,081	\$ 319	\$ 1,151	\$ —	\$ 3,551
Intersegment revenues	\$ —	\$ —	\$ 171	\$ (171)	\$ —
Depreciation, depletion and amortization	\$ 302	\$ 98	\$ 128	\$ —	\$ 528
Interest expense	\$ 80	\$ 20	\$ 45	\$ (15)	\$ 130
Asset impairments	\$ —	\$ —	\$ 7	\$ —	\$ 7
Asset dispositions	\$ (7)	\$ (1)	\$ 5	\$ —	\$ (3)
Earnings (loss) before income taxes	\$ 325	\$ (12)	\$ 12	\$ —	\$ 325
Income tax expense	\$ 3	\$ 2	\$ 3	\$ —	\$ 8
Net earnings (loss)	\$ 322	\$ (14)	\$ 9	\$ —	\$ 317
Net earnings attributable to noncontrolling interests	\$ —	\$ —	\$ 14	\$ —	\$ 14
Net earnings (loss) attributable to Devon	\$ 322	\$ (14)	\$ (5)	\$ —	\$ 303
Property and equipment, net	\$ 10,030	\$ 4,078	\$ 6,396	\$ —	\$ 20,504
Total assets	\$ 13,644	\$ 4,869	\$ 10,177	\$ (55)	\$ 28,635
Capital expenditures, including acquisitions	\$ 346	\$ 82	\$ 248	\$ —	\$ 676

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, 2018 compared to previous periods and in our financial condition and liquidity since December 31, 2017. For information regarding our critical accounting policies and estimates, see our [2017 Annual Report on Form 10-K](#) under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Overview of 2018 Results

Key components of our financial performance as compared to prior quarter are summarized below.

	Q1 2018 (3)	Q4 2017 (3)	Change
Net earnings (loss) attributable to Devon	\$ (197)	\$ 183	- 208%
Net earnings (loss) per diluted share attributable to Devon	\$ (0.38)	\$ 0.35	- 209%
Core earnings attributable to Devon (1)	\$ 108	\$ 199	- 46%
Core earnings per diluted share attributable to Devon (1)	\$ 0.20	\$ 0.38	- 48%
Retained production (MBoe/d)	511	512	0%
Total production (MBoe/d)	544	548	- 1%
Realized price per Boe (2)	\$ 27.75	\$ 27.59	+1%
Operating cash flow	\$ 804	\$ 725	+11%
Capitalized expenditures, including acquisitions	\$ 882	\$ 840	+5%
Shareholder and noncontrolling interests distributions	\$ 134	\$ 139	- 4%
Cash and cash equivalents	\$ 1,424	\$ 2,673	- 47%
Total debt	\$ 9,982	\$ 10,406	- 4%

- (1) Core earnings and core earnings per diluted share attributable to Devon are financial measures not prepared in accordance with GAAP. For a description of core earnings and core earnings per diluted share attributable to Devon, as well as reconciliations to the comparable GAAP measures, see "Non-GAAP Measures" in this Item 2.
- (2) Excludes any impact of oil, gas and NGL derivatives.
- (3) Except for balance sheet amounts, which are presented as of period end.

During the first three months of 2018, we generated solid operating results with our three-fold strategy of operating in North America's best resource plays, delivering superior execution and maintaining a high degree of financial strength. Led by our development in the STACK and Delaware Basin, we continued to improve our 90-day initial production rates. With investments in proprietary data tools, predictive analytics and artificial intelligence, we are delivering industry-leading, initial-rate well productivity performance and improving the performance of our established wells.

We continue to focus on our "2020 Vision," which is our plan through the end of the decade intended to optimize returns and deliver top-tier, capital-efficient cash flow growth. Our 2020 Vision is focused on the following strategic priorities :

- Maximize cash flow by optimizing base production and reducing per-unit cash costs;
- Improve capital efficiency with a concentration of investment on highest-returning development projects in the Delaware Basin and STACK;
- Simplify our portfolio by monetizing non-core assets;
- Improve financial strength by reducing debt; and
- Return cash to shareholders.

During the first three months of 2018, we made several strides to achieve our 2020 Vision and enhance shareholder value. Specifically, we had several key achievements:

- Reduced long-term debt by approximately \$800 million using cash on hand.
- Authorized and began executing a \$1.0 billion share-repurchase program.
- Announced the sale of our Johnson County assets for \$553 million. Upon expected closing in the second quarter of 2018, divestiture proceeds associated with our 2020 Vision will reach approximately \$1.1 billion since 2017.
- Increased our quarterly common stock dividends 33% to \$0.08 per share beginning in the second quarter of 2018.
- Subsequent to quarter-end, we completed a workforce reduction and we continue other cost reduction initiatives expected to generate \$110 million of annualized savings.

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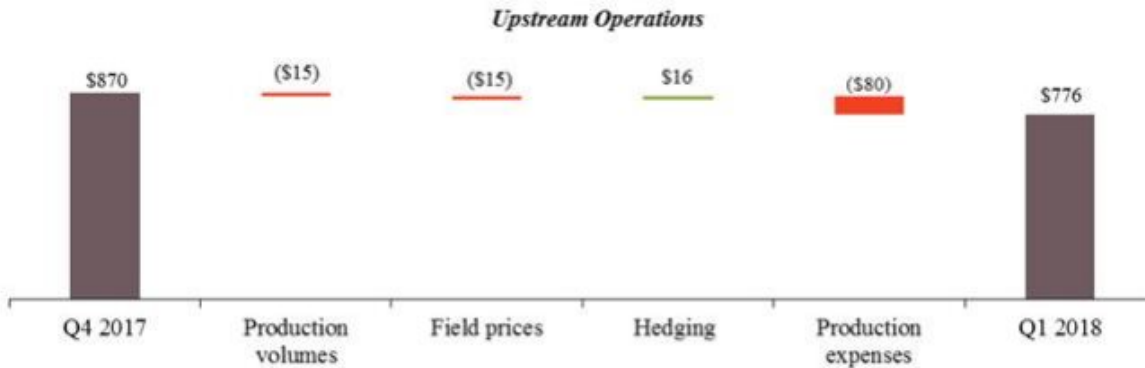
We exited the first quarter of 2018 with liquidity comprised of \$1.4 billion of cash and \$2.9 billion of available credit under our Senior Credit Facility. We have no significant debt maturities until 2021. We currently have approximately 60% of our expected oil and gas production protected for the remainder of 2018. 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, including Western Canadian Select and Midland Sweet basis oil hedges. We are building our 2019 hedge positions at market prices.

Results of Operations – Q1 2018 vs. Q4 2017

The following graphs, discussion and analysis are intended to provide an understanding of our results of operations and current financial condition. Due to the nature of our business, including an inherently volatile commodity price environment, we have provided a sequential quarter analysis in order to facilitate the review of our operational results and provide further transparency of our business. Specifically, the graph below shows the change in net earnings from the three months ended December 31, 2017 to the three months ended March 31, 2018. 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. Additional information regarding noncontrolling interests is discussed in [Note 20](#) in “Part I. Financial Information – Item 1. Financial Statements” of this report.



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
Oil, Gas and NGL Production

	Q1 2018	% of Total	Q4 2017	Change
Oil and bitumen (MBbls/d)				
STACK	35	14%	30	+20%
Delaware Basin	36	14%	32	+13%
Rockies Oil	18	7%	15	+17%
Heavy Oil	18	7%	18	+1%
Eagle Ford	23	9%	27	-16%
Barnett Shale	1	0%	1	+18%
Other	9	5%	9	-5%
Retained assets	140	56%	132	+6%
Divested assets	—	0%	—	N/M
Total Oil	140	56%	132	+6%
Bitumen	111	44%	114	-3%
Total Oil and bitumen	251		246	+2%

	Q1 2018	% of Total	Q4 2017	Change
Gas (MMcf/d)				
STACK	344	29%	316	+9%
Delaware Basin	97	8%	89	+9%
Rockies Oil	18	2%	14	+27%
Heavy Oil	12	1%	15	-18%
Eagle Ford	63	5%	87	-27%
Barnett Shale	470	40%	466	+1%
Other	10	1%	13	-27%
Retained assets	1,014	86%	1,000	+1%
Divested assets	163	14%	175	-7%
Total	1,177		1,175	+0%

	Q1 2018	% of Total	Q4 2017	Change
NGLs (MBbls/d)				
STACK	37	38%	34	+7%
Delaware Basin	11	12%	13	-9%
Rockies Oil	2	2%	1	+38%
Eagle Ford	8	8%	13	-41%
Barnett Shale	31	32%	36	-13%
Other	2	2%	3	-40%
Retained assets	91	94%	100	-9%
Divested assets	6	6%	6	-5%
Total	97		106	-8%

	Q1 2018	% of Total	Q4 2017	Change
Combined (MBoe/d)				
STACK	129	24%	117	+11%
Delaware Basin	64	12%	60	+7%
Rockies Oil	23	4%	19	+20%
Heavy Oil	131	24%	134	-2%
Eagle Ford	41	8%	55	-25%
Barnett Shale	110	20%	114	-3%
Other	13	2%	13	-2%
Retained assets	511	94%	512	-0%
Divested assets	33	6%	36	-7%
Total	544		548	-1%

Production declines reduced our upstream revenue by \$15 million. Retained production results were highlighted by strong oil production in the STACK, Delaware Basin and Rockies, averaging 16% growth from prior quarter. These noted production gains were offset by reduced completion activity in the Eagle Ford.

Oil, Gas and NGL Prices

	Q1 2018	Realization	Q4 2017	Change
Oil and bitumen (per Bbl)				
WTI index	\$ 62.93		\$ 55.49	+13%
Access Western Blend index	\$ 35.44		\$ 40.94	-13%
U.S.	\$ 61.79	98%	\$ 54.18	+14%
Canada	\$ 19.74	31%	\$ 32.54	-39%
Realized price, unhedged	\$ 40.15	64%	\$ 42.59	-6%
Cash settlements	\$ (0.10)		\$ (0.38)	
Realized price, with hedges	\$ 40.05	64%	\$ 42.21	-5%

	Q1 2018	Realization	Q4 2017	Change
Gas (per Mcf)				
Henry Hub index	\$ 3.01		\$ 2.93	+3%
Realized price, unhedged	\$ 2.41	80%	\$ 2.29	+5%
Cash settlements	\$ 0.17		\$ 0.19	
Realized price, with hedges	\$ 2.58	86%	\$ 2.48	+4%

	Q1 2018	Realization	Q4 2017	Change
NGLs (per Bbl)				
Mont Belvieu blended index (1)	\$ 25.88		\$ 28.61	-10%
Realized price, unhedged	\$ 22.56	87%	\$ 18.46	+22%
Cash settlements	\$ (0.53)		\$ (0.30)	
Realized price, with hedges	\$ 22.03	85%	\$ 18.16	+21%

(1) Based upon composition of our NGL barrel.

	Q1 2018	Q4 2017	Change
Combined (per Boe)			
U.S.	\$ 30.39	\$ 26.18	+16%
Canada	\$ 19.45	\$ 31.95	-39%
Realized price, unhedged	\$ 27.75	\$ 27.59	+1%
Cash settlements	\$ 0.23	\$ 0.19	
Realized price, with hedges	\$ 27.98	\$ 27.78	+1%

Oil, gas and NGL sales decreased \$15 million primarily as a result of three pricing factors during the quarter. First, our U.S. oil revenues benefitted \$70 million from a 13% increase in the average WTI index during the quarter. Second, the average realization in Canada was significantly lower than prior quarter due to export and pipeline constraints that reduced our revenues approximately \$150 million. Third, as discussed in [Note 2](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report, in 2018 the presentation of certain processing arrangements changed from a net to a gross presentation. The change resulted in an increase to our upstream revenues and production expenses by \$62 million during the first quarter of 2018 with no impact to net earnings.

Commodity Derivatives

	Q1 2018	Q4 2017	Change
Oil	\$ (2)	\$ (8)	+76%
Natural gas	18	21	-13%
NGL	(5)	(3)	-68%
Total cash settlements	11	10	+7%
Valuation changes	(52)	(67)	+22%
Total	\$ (41)	\$ (57)	+28%

Cash settlements as presented in the tables above represent realized gains or losses related to the instruments described in [Note 4](#) 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 2018	Q4 2017	Change
LOE	\$ 241	\$ 236	+2%
Gathering, processing & transportation	228	163	+40%
Production taxes	59	51	+16%
Property taxes	15	13	+15%
Total	\$ 543	\$ 463	+17%
Per Boe:			
LOE	\$ 4.91	\$ 4.68	+5%
Gathering, processing & transportation	\$ 4.65	\$ 3.23	+44%
Percent of oil, gas and NGL sales:			
Production taxes	4.4%	3.7%	+19%

As discussed in [Note 2](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report, gathering, processing and transportation expense increased \$65 million primarily due to the presentation of certain processing arrangements changing from a net to a gross presentation. The change resulted in increases to our upstream revenues and production expense by \$62 million during the first quarter of 2018, with no impact to net earnings.

Production taxes increased on an absolute dollar basis primarily due to the increase in our U.S. upstream revenues, on which the majority of our production taxes are assessed.

Marketing & Midstream Operations

	Q1 2018	Q4 2017	Change
Operating revenues	\$ 1,761	\$ 1,756	+0%
Product purchases	(1,381)	(1,374)	+1%
Operations and maintenance expenses	(109)	(110)	-1%
EnLink margin	271	272	-0%
Devon margin	6	—	N/M
Total	\$ 277	\$ 272	+2%

As further discussed in [Note 2](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report, in 2018 EnLink’s marketing and midstream revenues decreased by \$138 million with a corresponding decrease to marketing and midstream expenses as a result of complying with the new revenue recognition accounting standard.

Exploration Expenses

	Q1 2018	Q4 2017	Change
Unproved impairments	\$ 8	\$ 137	-94%
Geological and geophysical	10	17	-41%
Exploration overhead and other	15	17	-12%
Total	\$ 33	\$ 171	-81%

Unproved impairments primarily relate to a portion of acreage in our U.S. non-core operations upon which we do not intend to pursue further exploration and development.

Depreciation, Depletion and Amortization

	Q1 2018	Q4 2017	Change
Oil and gas per Boe	\$ 7.63	\$ 7.14	+7%
Oil and gas	\$ 374	\$ 360	+4%
Midstream and other assets	25	30	-14%
Devon	399	390	+2%
EnLink	138	138	-0%
Total	\$ 537	\$ 528	+2%

Our oil and gas DD&A remained relatively flat as compared to the prior period. Increases in oil and gas DD&A rates were due to continued development in the STACK and Delaware Basin.

Financing Costs, net

Financing costs, net increased \$305 million primarily as a result of costs associated with our \$800 million early debt retirement in 2018. We estimate that total cash interest expense will be reduced by approximately \$64 million on an annualized basis as a result of the early retirement. For additional information on our debt and related expenses, see [Note 16](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

Income Taxes

	<u>Q1 2018</u>	<u>Q4 2017</u>
Current expense	\$ 4	\$ 41
Deferred benefit	(32)	(245)
Total benefit	<u>\$ (28)</u>	<u>\$ (204)</u>
Effective income tax rate	<u>15%</u>	<u>(203%)</u>

For discussion on income taxes, see [Note 8](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

Results of Operations – Q1 2018 vs. Q1 2017

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, 2017 to the three months ended March 31, 2018. 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. Additional information regarding noncontrolling interests is discussed in [Note 20](#) in “Part I. Financial Information – Item 1. Financial Statements” of this report.



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
Oil, Gas and NGL Production

	Q1 2018	% of Total	Q1 2017	Change
Oil and bitumen (MBbls/d)				
STACK	35	14%	21	+68%
Delaware Basin	36	14%	30	+21%
Rockies Oil	18	7%	13	+38%
Heavy Oil	18	7%	18	- 1%
Eagle Ford	23	9%	46	- 51%
Barnett Shale	1	0%	1	- 21%
Other	9	5%	11	- 21%
Retained assets	140	56%	140	- 0%
Divested assets	—	0%	2	- 100%
Total oil	140	56%	142	- 1%
Bitumen	111	44%	119	- 7%
Total oil and bitumen	251		261	- 4%

	Q1 2018	% of Total	Q1 2017	Change
Gas (MMcf/d)				
STACK	344	29%	287	+20%
Delaware Basin	97	8%	87	+12%
Rockies Oil	18	2%	15	+22%
Heavy Oil	12	1%	23	- 46%
Eagle Ford	63	5%	115	- 45%
Barnett Shale	470	40%	498	- 6%
Other	10	1%	12	- 17%
Retained assets	1,014	86%	1,037	- 2%
Divested assets	163	14%	191	- 14%
Total	1,177		1,228	- 4%

	Q1 2018	% of Total	Q1 2017	Change
NGLs (MBbls/d)				
STACK	37	38%	26	+41%
Delaware Basin	11	12%	10	+20%
Rockies Oil	2	2%	1	+71%
Eagle Ford	8	8%	15	- 47%
Barnett Shale	31	32%	36	- 12%
Other	2	2%	2	- 13%
Retained assets	91	94%	90	+2%
Divested assets	6	6%	8	- 24%
Total	97		98	- 0%

	Q1 2018	% of Total	Q1 2017	Change
Combined (MBoe/d)				
STACK	129	24%	95	+36%
Delaware Basin	64	12%	54	+18%
Rockies Oil	23	4%	17	+38%
Heavy Oil	131	24%	141	- 7%
Eagle Ford	41	8%	80	- 49%
Barnett Shale	110	20%	120	- 8%
Other	13	2%	14	- 10%
Retained assets	511	94%	521	- 2%
Divested assets	33	6%	42	- 21%
Total	544		563	- 3%

Production declines reduced our upstream revenues by \$38 million due to reduced completion activity in the Eagle Ford and natural production declines in the Barnett Shale. These decreases were partially offset by our focused development activities in the STACK, Delaware Basin and Rockies, where we saw production increases averaging 30% from Q1 2017.

Oil, Gas and NGL Prices

	Q1 2018	Realization	Q1 2017	Change
Oil and bitumen (per Bbl)				
WTI index	\$ 62.93		\$ 52.00	+21%
Access Western Blend index	\$ 35.44		\$ 35.16	+1%
U.S.	\$ 61.79	98%	\$ 49.65	+24%
Canada	\$ 19.74	31%	\$ 26.30	- 25%
Realized price, unhedged	\$ 40.15	64%	\$ 37.33	+8%
Cash settlements	\$ (0.10)		\$ 0.50	
Realized price, with hedges	\$ 40.05	64%	\$ 37.83	+6%

	Q1 2018	Realization	Q1 2017	Change
Gas (per Mcf)				
Henry Hub index	\$ 3.01		\$ 3.32	- 9%
Realized price, unhedged	\$ 2.41	80%	\$ 2.68	- 10%
Cash settlements	\$ 0.17		\$ (0.03)	
Realized price, with hedges	\$ 2.58	86%	\$ 2.65	- 3%

	Q1 2018	Realization	Q1 2017	Change
NGLs (per Bbl)				
Mont Belvieu blended index ⁽¹⁾	\$ 25.88		\$ 23.93	+8%
Realized price, unhedged	\$ 22.56	87%	\$ 15.46	+46%
Cash settlements	\$ (0.53)		\$ —	
Realized price, with hedges	\$ 22.03	85%	\$ 15.46	+42%

(1) Based upon composition of our NGL barrel.

	Q1 2018	Q1 2017	Change
Combined (per Boe)			
U.S.	\$ 30.39	\$ 25.86	+18%
Canada	\$ 19.45	\$ 25.73	- 24%
Realized price, unhedged	\$ 27.75	\$ 25.82	+7%
Cash settlements	\$ 0.23	\$ 0.15	
Realized price, with hedges	\$ 27.98	\$ 25.97	+8%

Upstream revenues increased \$89 million as a result of higher unhedged, realized prices for our oil and NGLs. The increase in oil sales primarily resulted from higher average WTI crude index prices, which were 21% higher in 2018. Additionally, NGL prices improved 8% at the Mont Belvieu, Texas hub compared to Q1 2017. Slightly offsetting these increases were widening oil and bitumen differentials in Canada due to export and pipeline constraints. Gas prices were lower due to lower North American regional index prices upon which our gas sales are based.

As further discussed in [Note 2](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report, in 2018 the presentation of certain processing arrangements changed from a net to a gross presentation. The change resulted in an increase to our upstream revenues and production expenses by \$62 million during the first quarter of 2018 with no impact to net earnings.

Commodity Derivatives

	Q1 2018	Q1 2017	Change
Oil	\$ (2)	\$ 12	- 117%
Natural gas	18	(4)	+550%
NGL	(5)	—	N/M
Total cash settlements	11	8	+38%
Valuation changes	(52)	224	- 123%
Total	\$ (41)	\$ 232	- 118%

Production Expenses

	Q1 2018	Q1 2017	Change
LOE	\$ 241	\$ 223	+8%
Gathering, processing & transportation	228	163	+40%
Production taxes	59	55	+7%
Property taxes	15	16	- 6%
Total	\$ 543	\$ 457	+19%
Per Boe:			
LOE	\$ 4.91	\$ 4.41	+11%
Gathering, processing & transportation	\$ 4.65	\$ 3.21	+45%
Percent of oil, gas and NGL sales:			
Production taxes	4.4%	4.2%	+4%

Gathering, processing and transportation expense increased \$65 million primarily due to the presentation of certain processing arrangements changing from a net to a gross presentation. The change resulted in an increase to our upstream revenues and production expenses by \$62 million during the first quarter of 2018 with no impact to net earnings.

Marketing & Midstream Operations

	Q1 2018	Q1 2017	Change
Operating revenues	\$ 1,761	\$ 1,322	+33%
Product purchases	(1,381)	(1,002)	+38%
Operations and maintenance expenses	(109)	(104)	+5%
EnLink margin	271	216	+25%
Devon margin	6	(20)	- 130%
Total	\$ 277	\$ 196	+42%

The overall increase in marketing and midstream operating margin was primarily due to an increase in EnLink’s throughput volumes related to gas processing and transmission activities.

As further discussed in [Note 2](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report, in 2018 EnLink’s marketing and midstream revenues decreased by \$138 million with a corresponding decrease to marketing and midstream expenses as a result of complying with the new revenue recognition accounting standard.

Exploration Expenses

	Q1 2018	Q1 2017	Change
Unproved impairments	\$ 8	\$ 41	- 80%
Geological and geophysical	10	42	- 76%
Exploration overhead and other	15	12	+25%
Total	\$ 33	\$ 95	- 65%

Unproved impairments primarily relate to a portion of acreage in our U.S. non-core operations upon which we do not intend to pursue further exploration and development. Geological and geophysical costs decreased primarily in the STACK and Delaware Basin as we move into full-scale development.

Depreciation, Depletion and Amortization

	Q1 2018	Q1 2017	Change
Oil and gas per Boe	\$ 7.63	\$ 7.35	+4%
Oil and gas	\$ 374	\$ 372	+1%
Midstream and other assets	25	28	- 9%
Devon	399	400	- 0%
EnLink	138	128	+8%
Total	\$ 537	\$ 528	+2%

Financing Costs, net

Financing costs, net increased \$303 million primarily as a result of our \$800 million early debt retirement in 2018. For additional information on our debt and related expenses, see [Note 16](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

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, 2018 and 2017.

	Devon		EnLink		Consolidated	
	2018	2017	2018	2017	2018	2017
Operating cash flow	\$ 610	\$ 569	\$ 194	\$ 177	\$ 804	\$ 746
Divestitures of property and investments	47	32	1	190	48	222
EnLink and General Partner distributions	67	66	(67)	(66)	—	—
Capital expenditures	(651)	(397)	(181)	(256)	(832)	(653)
Acquisitions of property and equipment	(6)	(20)	—	—	(6)	(20)
Debt activity, net	(1,111)	—	122	(24)	(989)	(24)
Shareholder and noncontrolling interests distributions	(32)	(32)	(102)	(81)	(134)	(113)
Repurchases of common stock	(71)	—	—	—	(71)	—
Subsidiary unit transactions	—	—	1	55	1	55
Effect of exchange rate and other	(53)	(61)	18	8	(35)	(53)
Net change in cash, cash equivalents and restricted cash	\$ (1,200)	\$ 157	\$ (14)	\$ 3	\$ (1,214)	\$ 160
Cash, cash equivalents and restricted cash at end of period	\$ 1,453	\$ 2,104	\$ 17	\$ 15	\$ 1,470	\$ 2,119

Devon Sources and Uses of Cash

Operating Cash Flow

Net cash provided by operating activities increased 7% primarily due to higher commodity prices as compared to the first quarter of 2017.

Our operating cash flow funded 94% of our capital expenditures during the first quarter of 2018.

Divestitures of Property and Equipment

During the first three months of 2018, as part of our announced divestiture program, we sold non-core U.S. assets for approximately \$47 million, net of customary purchase price adjustments.

EnLink and General Partner Distributions

Devon received \$67 million and \$66 million in distributions from EnLink and the General Partner during the first three months of 2018 and 2017, respectively.

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 2018	Q1 2017
Oil and gas	\$ 626	\$ 383
Corporate and other	25	14
Total capital expenditures	651	397
Acquisitions	\$ 6	\$ 20

Capital expenditures consist of amounts related to our oil and gas exploration and development operations, midstream operations and other corporate activities. Devon's 2018 objectives are to concentrate capital spend in the STACK and Delaware Basin, while investing within cash flow and maintaining significant flexibility. Our capital investment program is driven by a disciplined

allocation process focused on returns. Our capital expenditures are higher in 2018 due to our continued development in the STACK and Delaware Basin.

Debt Activity

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 16](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

Shareholder Distributions and Stock Activity

Devon paid \$32 million, or \$0.06 per share, in common stock dividends during the first three months of 2018 and 2017. Devon announced an increase to its quarterly dividend to \$0.08 per share beginning in the second quarter of 2018.

In March 2018, we announced a share-repurchase program to buy up to \$1.0 billion of shares of common stock, which expires March 7, 2019. Including unsettled shares, we repurchased 2.6 million shares of common stock for \$83 million, or \$32.19 per share through March 31, 2018.

EnLink Sources and Uses of Cash

EnLink’s operating cash flow has increased \$17 million as a result of its continued development activities. Capital expenditures for EnLink’s midstream operations are primarily for the construction and expansion of oil and gas gathering facilities and pipelines. EnLink’s capital expenditures are lower in 2018 primarily due to lower capital expenditure levels for expansion projects.

During the first quarter of 2017, EnLink divested its ownership interest in Howard Energy Partners for approximately \$190 million. Proceeds were primarily used to pay a portion of the \$250 million installment payment related to EnLink’s acquisition of Anadarko Basin gathering and processing midstream assets.

During the first quarter of 2018, EnLink’s consolidated net debt borrowings increased \$122 million. The increase was partially due to EnLink’s increased credit facility borrowings to fund growth capital expenditures and was partially offset by the payment of the remaining portion of the deferred installment payment related to its acquisition of Anadarko Basin gathering and processing midstream assets.

During the first quarter of 2017, EnLink’s consolidated net debt borrowings decreased \$24 million. The decrease was partially due to EnLink’s payment of a portion of the deferred installment payment related to its acquisition of Anadarko Basin gathering and processing midstream assets and was partially offset by increased credit facility borrowings to fund growth capital expenditures.

EnLink and the General Partner distributed \$102 million and \$81 million to non-Devon unitholders during the first three months of 2018 and 2017, respectively.

During the first quarter 2017, EnLink issued and sold 3 million common units and generated \$55 million in net proceeds, through its “at the market” programs. During the first three months of 2018, EnLink issued and sold an immaterial amount of common units through its “at the market” programs.

Devon Liquidity

Our primary sources of capital and liquidity are our operating cash flow, asset divestiture proceeds and cash on hand. 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. Available sources of capital and liquidity also include, among other things, debt and equity securities that can be issued pursuant to our shelf registration statement filed with the SEC, as well as the sale of a portion of our common units representing interests in our investment in EnLink and the General Partner. We estimate the combination of these sources of capital will continue to be adequate to fund our planned capital expenditures, future debt repayments, share repurchases and other contractual commitments as discussed in this section.

Operating Cash Flow

Our operating cash flow is sensitive to many variables, the most volatile of which are the prices of the oil, bitumen, gas and NGLs we produce and sell. Our operating cash flow increased approximately \$58 million in the first three months of 2018 compared to the first three months of 2017 largely due to increases in commodity prices. We expect operating cash flow to continue to be a key source of liquidity as we adjust our capital program to invest within our operating cash flow. Furthermore, proceeds from non-core asset divestitures will provide additional liquidity as needed.

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. For additional information on our derivative positions in place at March 31, 2018, see [Note 4](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

Divestitures of Property and Equipment

To further focus our resource-rich portfolio, we are targeting asset divestiture proceeds in excess of \$5 billion. In March 2018, we advanced this divestiture goal by announcing the sale of our Johnson Country asset in the southern part of the Barnett Shale position for \$553 million, subject to customary purchase price adjustments. This transaction is expected to close during the second quarter of 2018.

In a separate transaction within the Barnett, we formed a partnership in April 2018 under which we will monetize half our working interest across 116 gross undrilled locations for an approximate \$75 million payment spread over the next five years. With this agreement, we will also drill and operate up to 24 wells per year, with volumes dedicated to the EnLink gathering and processing infrastructure.

Overall, these two Barnett transactions, combined with other asset sales previously disclosed, will generate \$1.1 billion of total divestiture proceeds. We are also marketing approximately \$1 billion of non-core assets across our U.S. portfolio as we progress toward the \$5 billion target.

Capital Expenditures

The following table below presents our expected 2018 capital expenditures.

	Q2 2018 - Q4 2018			Full Year 2018		
				(Billions)		
Exploration and production	\$1.5	—	\$1.7	\$2.2	—	\$2.4
Total Devon	\$1.6	—	\$1.9	\$2.3	—	\$2.6

Credit Availability

We have a \$3.0 billion Senior Credit Facility. As of March 31, 2018, we had approximately \$2.9 billion available under this facility, net of \$51 million in outstanding letters of credit, and were in compliance with the facility’s financial covenant. This credit facility supports our \$3.0 billion of short-term credit under our commercial paper program. At March 31, 2018, there were no borrowings under our commercial paper program.

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 near-term and long-term production growth opportunities. Our credit rating from Standard and Poor’s Financial Services is BBB with a stable outlook. Our credit rating from Fitch is BBB+ with a stable outlook. Our credit rating from Moody’s Investor Service is Ba1 with a stable outlook. Any rating downgrades may result in additional letters of credit or cash collateral being posted under certain contractual arrangements.

There are no “rating triggers” in any of our or EnLink’s contractual debt obligations that would accelerate scheduled maturities should a debt rating fall below a specified level. However, these downgrades could adversely impact our and EnLink’s interest rate on any credit facility borrowings and the ability to economically access debt markets in the future.

Common Stock Repurchase Program

During March 2018, our Board of Directors authorized a \$1.0 billion share-repurchase program of our common stock, which expires March 7, 2019. Through March 31, 2018, we repurchased 2.6 million common shares for \$83 million, or \$32.19 per share, with up to approximately \$917 million expected to be repurchased under the share-repurchase program through the end of 2018.

EnLink Liquidity

EnLink has a \$1.5 billion unsecured revolving credit facility. The General Partner has a \$250 million secured revolving credit facility. As of March 31, 2018, there were \$10 million in outstanding letters of credit and \$370 million in outstanding borrowings under the \$1.5 billion credit facility and \$77 million in outstanding borrowings under the \$250 million credit facility. All of EnLink’s and the General Partner’s debt is non-recourse to Devon.

In January 2018, EnLink paid the final \$250 million installment payment related to the 2016 Anadarko Basin gathering and processing midstream assets acquisition.

Critical Accounting Estimates

Income Taxes

As discussed in our 2017 Annual Report on Form 10-K, in December 2017, the SEC staff issued Staff Accounting Bulletin No. 118, *Income Tax Accounting Implications of the Tax Cuts and Jobs Act* (SAB 118), which allows us to record provisional amounts during a measurement period not to extend beyond one year after the enactment date. As the Tax Reform Legislation was passed late in the fourth quarter of 2017 and ongoing guidance and accounting interpretation are expected over the next 12 months, we consider the accounting of the transition tax, deferred tax remeasurements, and other items to be incomplete due to the forthcoming guidance and our ongoing analysis of final year-end data and tax positions. We expect to complete our analysis within the measurement period in accordance with SAB 118.

Absent unexpected events and unexpected effects of the Tax Reform Legislation, Devon expects a positive impact on its future after-tax earnings, primarily due to the lower federal statutory tax rate.

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 2018 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. 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 and dry hole costs relating to exploration expenses), deferred tax asset valuation allowance, derivatives and financial instrument fair value changes and costs associated with early retirement of debt .

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 for the three months ended March 31, 2018 and 2017.

	<u>Before tax</u>	<u>After tax</u>	<u>After Noncontrolling Interests</u>	<u>Per Diluted Share</u>
2018				
Loss attributable to Devon (GAAP)	\$ (181)	\$ (153)	\$ (197)	\$ (0.38)
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
Fair value changes in financial instruments and foreign currency	63	62	61	0.12
Early retirement of debt	312	240	240	0.46
Core earnings attributable to Devon (Non-GAAP)	<u>\$ 192</u>	<u>\$ 153</u>	<u>\$ 108</u>	<u>\$ 0.20</u>
2017				
Earnings attributable to Devon (GAAP)	\$ 325	\$ 317	\$ 303	\$ 0.58
Adjustments:				
Asset dispositions	(3)	(1)	(3)	(0.01)
Asset and exploration impairments	48	32	29	0.06
Deferred tax asset valuation allowance	—	(101)	(101)	(0.19)
Fair value changes in financial instruments and foreign currency	(251)	(163)	(160)	(0.31)
Core earnings attributable to Devon (Non-GAAP)	<u>\$ 119</u>	<u>\$ 84</u>	<u>\$ 68</u>	<u>\$ 0.13</u>

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Commodity Price Risk

As of March 31, 2018, we have commodity derivatives that pertain to a portion of our production for the last nine months of 2018, as well as 2019 and 2020. The key terms to our open oil, gas and NGL derivative financial instruments are presented in [Note 4](#) 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, 2018, a 10% change in the forward curves associated with our commodity derivative instruments would have changed our net positions by approximately \$375 million.

Interest Rate Risk

As of March 31, 2018, we had total debt of \$10 billion. Of this amount, \$9.6 billion bears fixed interest rates averaging 5.1%, and \$447 million is comprised of floating rate debt with interest rates averaging 3.3%.

As of March 31, 2018, we had open interest rate swap positions that are presented in [Note 4](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report. The fair values of our interest rate swaps are largely determined by estimates of the forward curves of the 3-month LIBOR rate. A 10% change in these forward curves would not have materially impacted our balance sheet at March 31, 2018.

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 flow 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, 2018 balance sheet.

Our non-Canadian foreign subsidiaries have a U.S. dollar functional currency. However, certain of our subsidiaries hold Canadian-dollar cash and engage in intercompany loans with Canadian subsidiaries that are based in Canadian dollars. The value of the Canadian-dollar cash and intercompany loans increases or decreases from the remeasurement of the cash and loans into the U.S. dollar functional currency.

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, 2018 to ensure that the information required to be disclosed by Devon in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

Changes in Internal Control Over Financial Reporting

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

PART II. Other Information**Item 1. Legal Proceedings**

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

Please see our [2017 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 [2017 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 2018 (shares in thousands).

Period	Total Number of Shares Purchased (2)	Average Price Paid per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs (1)	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1)
January 1 - January 31	16	\$ 42.83	—	—
February 1 - February 28	547	\$ 35.75	—	—
March 1 - March 31	2,822	\$ 32.04	2,561	\$ 917
Total	3,385	\$ 32.69	2,561	

- (1) On March 7, 2018, we announced a \$1.0 billion share repurchase program. This program expires March 7, 2019. As of March 31, 2018, we had repurchased 2.6 million common shares for \$83 million, or \$32.19 per share, under this program. Future purchases under the program will be made in open market or private transactions, depending on market conditions, and may be discontinued at any time.
- (2) In addition to shares purchased under the share repurchase program described above, these amounts also included 824,000 shares received by us from employees for the payment of personal income tax withholding on vesting transactions.

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 14,300 shares of our common stock in the first quarter of 2018, 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 2018, there were approximately 3,200 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
4.1	Fourth Supplemental Indenture, dated March 22, 2018, among Devon Energy Corporation and The Bank of New York Mellon Trust Company, N.A. (as successor to The Bank of New York), as trustee, to the Indenture, dated as of March 1, 2002, among Devon Energy Corporation and The Bank of New York Mellon Trust Company, N.A. (incorporated by reference to Exhibit 4.1 to Devon Energy Corporation's Form 8-K, filed on March 22, 2018; File No. 001-32318).
10.1	2018 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	2018 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.
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 2, 2018

DEVON ENERGY CORPORATION

/s/ Jeremy D. Humphers

Jeremy D. Humphers

Senior Vice President and Chief Accounting Officer



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

NOTICE OF GRANT OF RESTRICTED STOCK AWARD AND AWARD AGREEMENT

Participant Name

Grant Date:
Grant Type:
Award No.:

Grant Date
RSA
Client Grant ID

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

Table with 2 columns: Anniversary of Grant Date, % of Shares to Vest. Rows include 1st, 2nd, 3rd, and 4th Anniversaries, each with a 25% vesting percentage.

* 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**

Participant's Name

Grant Date:

Grant Date

Grant Type:

PSU

Award No.:

Client Grant ID

Effective **Grant Date** , you have been granted a target award of **Number of Shares Granted** 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: **Number of Shares Granted** 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 **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 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 **Number of Shares Granted** 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 **Number of Shares Granted** 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 13(a).

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

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

(g) “ Dividend Equivalent ” has the meaning set forth in Section 3(g).

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

(i) “ Non-Compliance Event ” has the meaning set forth in Section 13(b).

(j) “ Non-Disclosure Agreement ” has the meaning set forth in Section 13(a).

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

(l) “ Participant ” has the meaning set forth in the preamble.

(m) “ Payout Value Limit ” has the meaning set forth in Section 4 of Schedule A.

(n) “ Performance Goal ” shall mean the performance goal specified on Schedule A which must be attained and certified in order to satisfy the first step of the two-step process for vesting in the shares of Common Stock subject to this Award.

(o) “ Performance Period ” has the meaning set forth on Schedule A over which the attainment of the Performance Goal is to be measured.

(p) “ Performance Share Unit ” the meaning set forth in the recitals.

(q) “ Plan ” has the meaning set forth in the recitals.

(r) “ Post-Retirement Vesting Eligible ” means the Participant’s Date of Termination occurs (i) by reason of the Participant’s retirement and (ii) on or after the 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”

Participant Name

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, 2018 and ends December 31, 2020 (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: **Number of Shares Granted** 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-ration terms of Section 3(e) of the Award Agreement apply, then the number of Performance Share Units that vest pursuant to the Award based on Sections 1-3 of this Schedule A will be pro-rated based on the number of days from the Date of Grant to the Date of Termination out of 365.

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

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 2018-2020 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 ”

Participant Name

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

“ COMPANY ”

DEVON ENERGY CORPORATION

By:
Name:
Title:

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 _____, ____.

Participant Name

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 2, 2018

/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 2, 2018

/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, 2018 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 2, 2018

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, 2018 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 2, 2018