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

FORM 8-K

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

Date of Report (Date of earliest event reported): August 3, 2021

Devon Energy Corporation
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction
of incorporation)

001-32318
(Commission
File Number)

73-1567067
(IRS Employer
Identification No.)

**333 W. SHERIDAN AVE.,
OKLAHOMA CITY, OKLAHOMA**
(Address of principal executive offices)

73102-5015
(Zip Code)

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

Not Applicable
(Former name or former address, if changed since last report)

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

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.10 per share	DVN	The New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

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.

Item 2.02 Results of Operations and Financial Condition.

On August 3, 2021, Devon Energy Corporation (the “Company”) announced its financial and operational results for the quarterly period ended June 30, 2021. In connection with this announcement, the Company provided an earnings release and certain supplemental financial information (including guidance and hedging information). Copies of these documents are furnished as Exhibits 99.1 and 99.2, respectively, to this report and, along with certain other materials, will be available on the Company’s website at www.devonenergy.com.

The information contained in this report and the exhibits hereto shall not be deemed to be “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and shall not be incorporated by reference into any filings made by the Company under the Securities Act of 1933, as amended, or the Exchange Act, except as may be expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description of Exhibits
99.1	Earnings release, dated August 3, 2021.
99.2	Supplemental financial information (including guidance and hedging information).
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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 hereunto duly authorized.

DEVON ENERGY CORPORATION

By: /s/ Jeffrey L. Ritenour
Jeffrey L. Ritenour
Executive Vice President and Chief Financial Officer

Date: August 3, 2021



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

Devon Energy Reports Second-Quarter 2021 Financial and Operational Results

OKLAHOMA CITY – Aug. 3, 2021 – Devon Energy Corp. (NYSE: DVN) today reported financial and operational results for the second-quarter 2021. Supplemental financial tables and forward-looking guidance are available on the company’s website at www.devonenergy.com.

KEY FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Fixed-plus-variable dividend increased by 44 percent to \$0.49 per share
- Investment-grade financial strength enhanced with redemption of \$1.2 billion of debt year-to-date
- Operating cash flow increased 85 percent from the prior quarter to \$1.1 billion
- Free cash flow generation accelerated to \$589 million, a 6-fold increase from the prior quarter
- Oil production exceeded midpoint guidance, averaging 291,000 barrels per day in the second quarter
- Delaware Basin efficiency gains drove capital expenditures 9 percent below guidance
- Merger synergies improved corporate cost structure by 27 percent year over year

CEO PERSPECTIVE

“2021 is shaping up to be an excellent year for Devon that can best be defined as one of comprehensive execution across all elements of our strategy, resulting in expanded margins, growth in free cash flow and the return of significant value to our shareholders through higher dividends and the reduction of debt,” said Rick Muncrief, president and CEO.

“With our business building momentum and generating increasing amounts of free cash flow, a clear differentiator for Devon is the ability to accelerate cash returns through our fixed-plus-variable dividend framework,” said Muncrief. “The power of this uniquely designed dividend strategy was demonstrated by our announcement to increase the dividend by 44 percent this quarter.”

“As I look to the second half of the year, the investment proposition for Devon only continues to strengthen,” Muncrief added. “With our disciplined capital allocation framework, we are positioned to have the highest forward dividend yield in the entire S&P 500 index that is accompanied by a strong balance sheet projected to have a leverage ratio of less than 1-turn by year end.”

FINANCIAL SUMMARY

Devon reported net earnings of \$256 million, or \$0.38 per diluted share, in the second quarter of 2021. Adjusting for items analysts typically exclude from estimates, Devon’s core earnings were \$408 million or \$0.60 per diluted share.

The company’s operating cash flow totaled \$1.1 billion in the second quarter, an 85 percent increase from the prior quarter. This level of cash flow funded all capital requirements and generated \$589 million of free cash flow.

Based on the strong financial performance in the second quarter, Devon’s board declared a fixed-plus-variable dividend of \$0.49 per share. This represents a 44 percent increase compared to the payout declared for the previous quarter. The dividend is payable on Sep. 30, 2021 to shareholders of record at the close of business on Sep. 13, 2021.

Devon’s investment-grade financial position also continued to strengthen with the redemption of \$710 million of debt in the quarter. This action brings the total amount of debt reduced to \$1.2 billion year to date and the company exited the quarter with excellent liquidity of \$1.5 billion of cash on hand.

OPERATING RESULTS

Oil production averaged 291,000 barrels per day in the second quarter, exceeding midpoint guidance by 3,000 barrels per day. This better-than-forecasted volume performance was driven by strong well productivity from the company's Delaware Basin operations.

Devon's capital program in the second quarter averaged 15 operated drilling rigs and five completion crews. This level of activity resulted in a total capital spend of \$509 million in the quarter, or 9 percent below guidance. This positive variance was attributable to efficiency gains and purchasing power synergies realized in the Delaware Basin.

With activity focused on developing higher-margin production opportunities, oil and liquids sales reached 91 percent of Devon's oil, gas and NGL sales in the quarter. This exposure to higher-value production, coupled with lower lease operating expenses, expanded the company's field-level cash margin to \$31.79 per Boe. This represents a 10 percent increase quarter over quarter.

The capture of merger synergies improved Devon's corporate cost structure by 27 percent year-over-year, on a pro forma basis. This performance was driven by lower personnel expenses and reduced financing costs from the company's ongoing debt-reduction program. Devon expects its merger cost savings to drive \$600 million in annual cash flow improvements by year-end 2021.

ASSET-LEVEL HIGHLIGHTS

Delaware Basin: Production averaged 358,000 Boe per day (53 percent oil). This result represents a 22 percent increase in oil production year over year, on a pro forma basis. The company's strong oil growth was driven by 88 new wells that achieved first production in the quarter across the company's 400,000 net acre position in New Mexico and Texas.

Capital activity for the quarter was headlined by several large development pads at the company's Cotton Draw and Stateline leasehold. Initial 30-day rates from this subset of 33 wells averaged 3,300 Boe per day, with per well recoveries estimated to exceed 1.5 million oil-equivalent barrels. In addition to the strong well productivity, completed well costs in the Delaware Basin declined to \$543 per lateral foot, a 12 percent reduction compared to the previous year.

Another key operational highlight was the significant improvement in field-level operating costs, which declined 7 percent year-over-year to \$5.97 per Boe. This cost performance, combined with higher commodity pricing, expanded field-level margins to \$33.79 per Boe in the quarter. This improvement represents more than a two-fold increase in per-unit margin compared to full-year 2020 results.

Anadarko Basin: Production averaged 80,000 Boe per day in the quarter, of which 54 percent was liquids. In the second quarter, Devon brought online 6 legacy Meramec wells from its uncompleted inventory that averaged 30-day rates of 1,800 Boe per day. Additionally, the company continued to progress its \$100 million joint venture drilling carry with Dow by spudding 16 new wells in the first half of 2021. Overall, Devon plans to drill up to 30 wells with its Dow partnership this year, with first production from this carry-enhanced activity expected in the second half of the year.

Williston Basin: Production averaged 66,000 Boe per day (70 percent oil). Second-quarter results were highlighted by 13 high-rate development wells brought online, driving an 8 percent production increase quarter over quarter. The Patricia Kelly 2-1HA, a two-mile lateral, achieved the highest 30-day rate reaching 4,200 Boe per day (85 percent oil). With a capital program tailored to mitigate production declines and optimize margins, this asset is projected to generate nearly \$700 million of free cash flow this year at current pricing.

Eagle Ford: Production averaged 37,000 Boe per day, a 21 percent increase from the prior quarter. The increase in production was attributable to 21 new wells that achieved peak rates in the second quarter. This low-risk development activity resulted in average 30-day production rates of 2,300 Boe per day. Completed well costs for these wells averaged \$4.7 million per well. With operational continuity reestablished, the company plans to maintain production with a two-rig drilling program for the remainder of 2021.

Powder River Basin: Production averaged 22,000 Boe per day, with oil reaching 73 percent of the product mix. The company did not bring online any new wells in the second quarter. Devon's operational focus for the remainder of 2021 is to advance its understanding of the emerging Niobrara oil resource opportunity and optimize base production.

2021 OUTLOOK

Devon remains on track to meet the strategic objectives underpinning its 2021 capital program. The company remains committed to its maintenance capital program and has not made any modifications to its capital budget or oil production outlook in 2021. Additional details of Devon's forward-looking guidance for the third-quarter and full-year 2021 are available on the company's website at www.devonenergy.com.

ENVIRONMENTAL PERFORMANCE TARGETS

Devon recently established new environmental performance targets focused on reducing the carbon intensity of its operations. Highlights from these targets include reducing GHG emissions 50 percent by 2030, achieving net zero emissions by 2050 and initiatives to constructively engage with upstream and downstream stakeholders to improve performance. For more information, please refer to the Sustainability portion of Devon's website at www.devonenergy.com/sustainability.

CONFERENCE CALL WEBCAST AND SUPPLEMENTAL EARNINGS MATERIALS

Also provided with today's release is the company's detailed earnings presentation that is available on the company's website at www.devonenergy.com. The company's second-quarter conference call will be held at 10:00 a.m. Central (11:00 a.m. Eastern) on Wednesday, Aug. 4, 2021, and will serve primarily as a forum for analyst and investor questions and answers.

ABOUT DEVON ENERGY

Devon Energy is a leading oil and gas producer in the U.S. with a premier multi-basin portfolio headlined by a world-class acreage position in the Delaware Basin. Devon's disciplined cash-return business model is designed to achieve strong returns, generate free cash flow and return capital to shareholders, while focusing on safe and sustainable operations. For more information, please visit www.devonenergy.com.

Investor Contacts

Scott Coody, 405-552-4735
Chris Carr, 405-228-2496

Media Contact

Lisa Adams, 405-228-1732

NON-GAAP DISCLOSURES

This press release includes non-GAAP (generally accepted accounting principles) financial measures. Such non-GAAP measures are not alternatives to GAAP measures, and you should not consider these non-GAAP measures in isolation or as a substitute for analysis of results as reported under GAAP. Reconciliations of these non-GAAP measures and other disclosures are provided within the supplemental financial tables that are available on the company's website and in the related Form 10-Q filed with the SEC.

FORWARD LOOKING STATEMENTS

This communication includes "forward-looking statements" within the meaning of the federal securities laws. Such statements include those concerning strategic plans, our expectations and objectives for future operations, as well as other future events or conditions, and are often identified by use of the words and phrases "expects," "believes," "will," "would," "could," "continue," "may," "aims," "likely to be," "intends," "forecasts," "projections," "estimates," "plans," "expectations," "targets," "opportunities," "potential," "anticipates," "outlook" and other similar terminology. All statements, other than statements of historical facts, included in this communication that address activities, events or developments that Devon expects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond our control. Consequently, actual future results could differ materially and adversely from our expectations due to a number of factors, including, but not limited to: the volatility of oil, gas and NGL prices; risks relating to the COVID-19 pandemic or other future pandemics; uncertainties inherent in estimating oil, gas and NGL reserves; the extent to which we are successful in acquiring and discovering additional reserves; the uncertainties, costs and risks involved in our operations, including as a result of employee misconduct; regulatory restrictions, compliance costs and other risks relating to governmental regulation, including with respect to environmental matters; risks related to regulatory, social and market efforts to address climate change; risks related to our hedging activities; counterparty credit risks; risks relating to our indebtedness; cyberattack risks; our limited control over third parties who operate some of our oil and gas properties; midstream capacity constraints and potential interruptions in production; the extent to which insurance covers any losses we may experience; competition for assets, materials, people and capital; risks related to investors attempting to effect change; our ability to successfully complete mergers, acquisitions and divestitures; risks related to the recent merger with WPX, including the risk that we may not realize the anticipated benefits of the merger or successfully integrate the two legacy businesses; and any of the other risks and uncertainties discussed in Devon's 2020 Annual Report on Form 10-K (the "2020 Form 10-K") or other SEC filings.

The forward-looking statements included in this communication speak only as of the date of this communication, represent current reasonable management's expectations as of the date of this communication and are subject to the risks and uncertainties identified above as well as those described in the 2020 Form 10-K and in other documents we file from time to time with the SEC. We cannot guarantee the accuracy of our forward-looking statements, and readers are urged to carefully review and consider the various disclosures made in the 2020 Form 10-K and in other documents we file from time to time 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 do not undertake, and expressly disclaim, any duty to update or revise our forward-looking statements based on new information, future events or otherwise.



**Devon Energy Second-Quarter 2021
Supplemental Tables**

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CONSOLIDATED STATEMENTS OF EARNINGS

(in millions, except per share amounts)	2021		2020		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Oil, gas and NGL sales	\$ 2,154	\$ 1,757	\$ 786	\$ 678	\$ 424
Oil, gas and NGL derivatives (1)	(703)	(528)	(117)	(87)	(361)
Marketing and midstream revenues	966	821	611	476	331
Total revenues	2,417	2,050	1,280	1,067	394
Production expenses (2)	513	458	271	271	263
Exploration expenses	3	3	4	39	12
Marketing and midstream expenses	965	842	618	478	339
Depreciation, depletion and amortization	536	467	301	299	299
Asset impairments	—	—	27	—	—
Asset dispositions	(87)	(32)	(1)	—	—
General and administrative expenses	94	107	82	75	79
Financing costs, net (3)	80	77	70	66	69
Restructuring and transaction costs	23	189	17	32	—
Other, net	(14)	(29)	1	—	13
Total expenses	2,113	2,082	1,390	1,260	1,074
Earnings (loss) from continuing operations before income taxes	304	(32)	(110)	(193)	(680)
Income tax expense (benefit)	43	(248)	(37)	(90)	(3)
Net earnings (loss) from continuing operations	261	216	(73)	(103)	(677)
Net earnings (loss) from discontinued operations, net of taxes	—	—	(25)	13	9
Net earnings (loss)	261	216	(98)	(90)	(668)
Net earnings attributable to noncontrolling interests	5	3	4	2	2
Net earnings (loss) attributable to Devon	\$ 256	\$ 213	\$ (102)	\$ (92)	\$ (670)
Basic earnings (loss) per share:					
Continuing operations	\$ 0.38	\$ 0.33	\$ (0.20)	\$ (0.29)	\$ (1.80)
Discontinued operations	—	—	(0.07)	0.04	0.02
Basic net earnings (loss) per share	\$ 0.38	\$ 0.33	\$ (0.27)	\$ (0.25)	\$ (1.78)
Diluted earnings (loss) per share:					
Continuing operations	\$ 0.38	\$ 0.32	\$ (0.20)	\$ (0.29)	\$ (1.80)
Discontinued operations	—	—	(0.07)	0.04	0.02
Diluted net earnings (loss) per share	\$ 0.38	\$ 0.32	\$ (0.27)	\$ (0.25)	\$ (1.78)
Weighted average common shares outstanding:					
Basic	677	654	383	383	383
Diluted	679	656	383	383	383

SUPPLEMENTAL INFORMATION FOR CONSOLIDATED STATEMENTS OF EARNINGS
(1) OIL, GAS AND NGL DERIVATIVES

(in millions)	2021		2020		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Derivative cash settlements	\$ (367)	\$ (232)	\$ (27)	\$ 10	\$ 232
Derivative valuation changes	(336)	(296)	(90)	(97)	(593)
Oil, gas and NGL derivatives	<u>\$ (703)</u>	<u>\$ (528)</u>	<u>\$ (117)</u>	<u>\$ (87)</u>	<u>\$ (361)</u>

(2) PRODUCTION EXPENSES

(in millions)	2021		2020		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Lease operating expense	\$ 210	\$ 199	\$ 91	\$ 100	\$ 108
Gathering, processing & transportation	147	129	130	125	123
Production taxes	143	117	47	42	25
Property taxes	13	13	3	4	7
Production expenses	<u>\$ 513</u>	<u>\$ 458</u>	<u>\$ 271</u>	<u>\$ 271</u>	<u>\$ 263</u>

(3) FINANCING COSTS, NET

(in millions)	2021		2020		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Interest on outstanding debt	\$ 98	\$ 105	\$ 65	\$ 65	\$ 65
Gain on early retirement of debt	(10)	(20)	—	—	—
Interest income	—	(1)	—	(5)	(2)
Other	(8)	(7)	5	6	6
Financing costs, net	<u>\$ 80</u>	<u>\$ 77</u>	<u>\$ 70</u>	<u>\$ 66</u>	<u>\$ 69</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)	2021		2020		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Cash flows from operating activities:					
Net earnings (loss)	\$ 261	\$ 216	\$ (98)	\$ (90)	\$ (668)
Adjustments to reconcile net loss to net cash from operating activities:					
Net (earnings) loss from discontinued operations, net of income taxes	—	—	25	(13)	(9)
Depreciation, depletion and amortization	536	467	301	299	299
Asset impairments	—	—	27	—	—
Leasehold impairments	1	1	3	36	3
(Amortization) accretion of liabilities	(7)	(7)	8	8	8
Total losses on commodity derivatives	703	528	117	87	361
Cash settlements on commodity derivatives	(367)	(232)	(27)	10	232
Gains on asset dispositions	(87)	(32)	(1)	—	—
Deferred income tax expense (benefit)	24	(243)	(17)	—	—
Share-based compensation	20	41	18	31	19
Early retirement of debt	(10)	(20)	—	—	—
Other	2	—	—	1	4
Changes in assets and liabilities, net	17	(127)	2	58	(99)
Net cash from operating activities - continuing operations	<u>1,093</u>	<u>592</u>	<u>358</u>	<u>427</u>	<u>150</u>
Cash flows from investing activities:					
Capital expenditures	(504)	(499)	(217)	(204)	(307)
Acquisitions of property and equipment	(5)	—	(3)	—	(1)
Divestitures of property and equipment	49	15	5	1	3
WPX acquired cash	—	344	—	—	—
Distributions from equity method investments	8	10	—	—	—
Net cash from investing activities - continuing operations	<u>(452)</u>	<u>(130)</u>	<u>(215)</u>	<u>(203)</u>	<u>(305)</u>
Cash flows from financing activities:					
Repayments of long-term debt	(710)	(533)	—	—	—
Early retirement of debt	(32)	(27)	—	—	—
Dividends paid on common stock	(229)	(203)	(138)	(43)	(42)
Contributions from noncontrolling interests	3	—	9	1	6
Distributions to noncontrolling interests	(5)	(4)	(4)	(4)	(3)
Acquisition of noncontrolling interests	—	(24)	—	—	—
Shares exchanged for tax withholdings and other	(9)	(33)	(1)	—	—
Net cash from financing activities - continuing operations	<u>(982)</u>	<u>(824)</u>	<u>(134)</u>	<u>(46)</u>	<u>(39)</u>
Effect of exchange rate changes on cash - continuing	2	3	—	—	—
Net change in cash, cash equivalents and restricted cash of continuing operations	<u>(339)</u>	<u>(359)</u>	<u>9</u>	<u>178</u>	<u>(194)</u>
Cash flows from discontinued operations:					
Operating activities	—	—	19	45	(43)
Investing activities	—	—	310	1	171
Effect of exchange rate changes on cash	—	—	2	4	8
Net change in cash, cash equivalents and restricted cash of discontinued operations	—	—	331	50	136
Net change in cash, cash equivalents and restricted cash	<u>(339)</u>	<u>(359)</u>	<u>340</u>	<u>228</u>	<u>(58)</u>
Cash, cash equivalents and restricted cash at beginning of period	1,878	2,237	1,897	1,669	1,727
Cash, cash equivalents and restricted cash at end of period	<u>\$ 1,539</u>	<u>\$ 1,878</u>	<u>\$ 2,237</u>	<u>\$ 1,897</u>	<u>\$ 1,669</u>
Reconciliation of cash, cash equivalents and restricted cash:					
Cash and cash equivalents	\$ 1,348	\$ 1,683	\$ 2,047	\$ 1,707	\$ 1,474
Restricted cash	191	195	190	190	195
Total cash, cash equivalents and restricted cash	<u>\$ 1,539</u>	<u>\$ 1,878</u>	<u>\$ 2,237</u>	<u>\$ 1,897</u>	<u>\$ 1,669</u>

CONSOLIDATED BALANCE SHEETS

(in millions)	June 30, 2021	December 31, 2020
Current assets:		
Cash, cash equivalents and restricted cash	\$ 1,539	\$ 2,237
Accounts receivable	1,185	601
Income tax receivable	40	174
Other current assets	312	248
Total current assets	3,076	3,260
Oil and gas property and equipment, based on successful efforts accounting, net	13,727	4,436
Other property and equipment, net	1,462	957
Total property and equipment, net	15,189	5,393
Goodwill	753	753
Right-of-use assets	252	223
Investments	398	12
Other long-term assets	397	271
Total assets	\$20,065	\$ 9,912
Current liabilities:		
Accounts payable	\$ 487	\$ 242
Revenues and royalties payable	1,030	662
Other current liabilities	1,555	536
Total current liabilities	3,072	1,440
Long-term debt	6,502	4,298
Lease liabilities	258	246
Asset retirement obligations	450	358
Other long-term liabilities	1,248	551
Stockholders' equity:		
Common stock	68	38
Additional paid-in capital	8,189	2,766
Retained earnings	243	208
Accumulated other comprehensive loss	(101)	(127)
Total stockholders' equity attributable to Devon	8,399	2,885
Noncontrolling interests	136	134
Total equity	8,535	3,019
Total liabilities and equity	\$20,065	\$ 9,912
Common shares outstanding	677	382

PRODUCTION TREND

	2021		2020		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Oil (MBbls/d)					
Delaware Basin	191	172	99	77	79
Anadarko Basin	17	13	16	19	21
Williston Basin	46	44	—	—	—
Eagle Ford	18	16	18	22	27
Powder River Basin	16	17	16	21	18
Other	3	6	7	7	8
Total	<u>291</u>	<u>268</u>	<u>156</u>	<u>146</u>	<u>153</u>
Natural gas liquids (MBbls/d)					
Delaware Basin	82	60	43	38	29
Anadarko Basin	26	21	25	30	25
Williston Basin	9	8	—	—	—
Eagle Ford	9	6	9	11	12
Powder River Basin	3	3	3	3	2
Other	—	1	—	1	1
Total	<u>129</u>	<u>99</u>	<u>80</u>	<u>83</u>	<u>69</u>
Gas (MMcf/d)					
Delaware Basin	513	471	267	239	241
Anadarko Basin	225	200	233	242	262
Williston Basin	61	49	—	—	—
Eagle Ford	59	47	60	73	87
Powder River Basin	21	21	22	23	20
Other	2	3	2	3	4
Total	<u>881</u>	<u>791</u>	<u>584</u>	<u>580</u>	<u>614</u>
Total oil equivalent (MBoe/d)					
Delaware Basin	358	310	186	155	149
Anadarko Basin	80	68	81	89	90
Williston Basin	66	61	—	—	—
Eagle Ford	37	30	37	46	53
Powder River Basin	22	23	22	28	24
Other	4	7	7	8	9
Total	<u>567</u>	<u>499</u>	<u>333</u>	<u>326</u>	<u>325</u>

CAPITAL EXPENDITURES

(in millions)	2021		2020		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Delaware Basin	\$ 394	\$ 355	\$ 153	\$ 179	\$ 148
Anadarko Basin	11	13	3	1	3
Williston Basin	19	20	—	—	—
Eagle Ford	36	29	2	1	10
Powder River Basin	5	27	22	11	39
Other	2	3	3	3	3
Total upstream capital	\$ 467	\$ 447	\$ 183	\$ 195	\$ 203
Midstream	22	24	3	7	8
Other	20	16	3	5	3
Total capital	\$ 509	\$ 487	\$ 189	\$ 207	\$ 214

SUPPLEMENTAL INFORMATION FOR UPSTREAM CAPITAL EXPENDITURES

GROSS OPERATED SPUDS	2021		2020		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Delaware Basin	55	60	21	35	27
Anadarko Basin	8	8	—	—	—
Williston Basin	—	7	—	—	—
Eagle Ford	11	14	—	—	—
Powder River Basin	1	—	2	—	—
Total	75	89	23	35	27

GROSS OPERATED WELLS TIED-IN	2021		2020		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Delaware Basin	88	52	23	32	22
Anadarko Basin	6	—	—	—	—
Williston Basin	13	—	—	—	—
Eagle Ford	9	12	—	—	13
Powder River Basin	—	10	2	9	4
Total	116	74	25	41	39

AVERAGE LATERAL LENGTH (based on wells tied-in)	2021		2020		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Delaware Basin	10,000'	10,000'	9,800'	9,900'	9,100'
Anadarko Basin	9,600'	—	—	—	—
Williston Basin	10,000'	—	—	—	—
Eagle Ford	5,600'	4,400'	—	—	5,900'
Powder River Basin	—	9,800'	13,600'	9,800'	8,100'
Total	9,600'	9,100'	10,100'	9,900'	7,900'

REALIZED PRICING
BENCHMARK PRICES

(average prices)

	2021		2020		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Oil (\$/Bbl) - West Texas Intermediate (Cushing)	\$ 66.04	\$ 57.87	\$ 42.65	\$ 40.86	\$ 28.42
Natural Gas (\$/Mcf) - Henry Hub	\$ 2.83	\$ 2.71	\$ 2.67	\$ 1.98	\$ 1.71
NGL (\$/Bbl) - Mont Belvieu Blended	\$ 28.54	\$ 25.81	\$ 20.01	\$ 16.69	\$ 12.57

REALIZED PRICES
Oil (Per Bbl)

	2021		2020		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Delaware Basin	\$ 63.93	\$ 56.07	\$ 40.67	\$ 39.19	\$ 22.70
Anadarko Basin	63.51	55.86	40.34	37.88	19.52
Williston Basin	62.00	52.74	—	—	—
Eagle Ford	64.04	54.90	37.83	33.68	15.30
Powder River Basin	62.36	53.77	36.42	35.39	24.03
Other	72.85	55.65	39.93	37.33	25.45
Realized price without hedges	63.63	55.28	39.84	37.56	21.25
Cash settlements	(13.29)	(9.13)	(1.83)	0.65	15.25
Realized price, including cash settlements	\$ 50.34	\$ 46.15	\$ 38.01	\$ 38.21	\$ 36.50

Natural gas liquids (Per Bbl)

Delaware Basin	\$ 23.81	\$ 26.25	\$ 13.67	\$ 11.49	\$ 7.94
Anadarko Basin	25.55	23.14	15.65	12.68	9.31
Williston Basin	14.76	18.51	—	—	—
Eagle Ford	25.46	24.44	15.66	13.74	10.02
Powder River Basin	35.46	30.19	19.39	13.10	10.07
Other	41.19	31.86	24.24	21.74	10.19
Realized price without hedges	23.89	25.01	14.77	12.36	8.89
Cash settlements	(0.25)	(0.20)	(0.01)	(0.30)	0.51
Realized price, including cash settlements	\$ 23.64	\$ 24.81	\$ 14.76	\$ 12.06	\$ 9.40

Gas (Per Mcf)

Delaware Basin	\$ 2.31	\$ 3.19	\$ 1.51	\$ 1.11	\$ 1.05
Anadarko Basin	3.15	2.49	2.29	1.66	1.31
Williston Basin	(1.60)	(0.48)	—	—	—
Eagle Ford	3.25	3.15	2.38	1.95	1.79
Powder River Basin	3.54	5.27	2.70	1.94	1.80
Other	2.74	2.57	2.87	1.52	1.32
Realized price without hedges	2.35	2.84	1.96	1.48	1.29
Cash settlements	(0.15)	(0.15)	0.00	0.06	0.28
Realized price, including cash settlements	\$ 2.20	\$ 2.69	\$ 1.96	\$ 1.54	\$ 1.57

Total oil equivalent (Per Boe)

Delaware Basin	\$ 42.84	\$ 40.95	\$ 26.94	\$ 24.00	\$ 15.39
Anadarko Basin	30.34	25.35	19.79	16.81	10.98
Williston Basin	43.98	40.79	—	—	—
Eagle Ford	42.84	38.90	25.97	22.78	12.90
Powder River Basin	52.55	47.58	31.08	29.83	20.80
Other	65.37	50.58	37.67	34.15	22.95
Realized price without hedges	41.75	39.14	25.63	22.60	14.37
Cash settlements	(7.11)	(5.17)	(0.86)	0.33	7.83
Realized price, including cash settlements	\$ 34.64	\$ 33.97	\$ 24.77	\$ 22.93	\$ 22.20

ASSET MARGINS
BENCHMARK PRICES

(average prices)	2021		2020		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Oil (\$/Bbl) - West Texas Intermediate (Cushing)	\$ 66.04	\$ 57.87	\$ 42.65	\$ 40.86	\$ 28.42
Natural Gas (\$/Mcf) - Henry Hub	\$ 2.83	\$ 2.71	\$ 2.67	\$ 1.98	\$ 1.71
NGL (\$/Bbl) - Mont Belvieu Blended	\$ 28.54	\$ 25.81	\$ 20.01	\$ 16.69	\$ 12.57

PER-UNIT CASH MARGIN BY ASSET (per Boe)

	2021		2020		
	Quarter 2	Quarter 1	Quarter 4	Quarter 3	Quarter 2
Delaware Basin					
Realized price	\$ 42.84	\$ 40.95	\$ 26.94	\$ 24.00	\$ 15.39
Lease operating expenses	(3.91)	(3.97)	(2.38)	(3.00)	(3.56)
Gathering, processing & transportation	(2.06)	(1.96)	(2.40)	(2.68)	(2.88)
Production & property taxes	(3.08)	(2.95)	(2.08)	(1.80)	(1.14)
Field-level cash margin	\$ 33.79	\$ 32.07	\$ 20.08	\$ 16.52	\$ 7.81
Anadarko Basin					
Realized price	\$ 30.34	\$ 25.35	\$ 19.79	\$ 16.81	\$ 10.98
Lease operating expenses	(2.96)	(3.82)	(2.57)	(2.16)	(2.42)
Gathering, processing & transportation	(6.06)	(6.31)	(8.39)	(7.39)	(6.57)
Production & property taxes	(1.46)	(1.21)	(0.55)	(0.54)	(0.32)
Field-level cash margin	\$ 19.86	\$ 14.01	\$ 8.28	\$ 6.72	\$ 1.67
Williston Basin					
Realized price	\$ 43.98	\$ 40.79	\$ —	\$ —	\$ —
Lease operating expenses	(4.87)	(5.13)	—	—	—
Gathering, processing & transportation	(1.86)	(2.14)	—	—	—
Production & property taxes	(4.27)	(3.82)	—	—	—
Field-level cash margin	\$ 32.98	\$ 29.70	\$ —	\$ —	\$ —
Eagle Ford					
Realized price	\$ 42.84	\$ 38.90	\$ 25.97	\$ 22.78	\$ 12.90
Lease operating expenses	(3.47)	(3.89)	(2.79)	(2.47)	(2.59)
Gathering, processing & transportation	(5.56)	(6.73)	(5.89)	(4.73)	(4.96)
Production & property taxes	(1.93)	(1.71)	(0.16)	(0.92)	(0.85)
Field-level cash margin	\$ 31.88	\$ 26.57	\$ 17.13	\$ 14.66	\$ 4.50
Powder River Basin					
Realized price	\$ 52.55	\$ 47.58	\$ 31.08	\$ 29.83	\$ 20.80
Lease operating expenses	(6.65)	(7.45)	(5.47)	(5.41)	(6.60)
Gathering, processing & transportation	(3.02)	(2.66)	(3.01)	(2.30)	(2.71)
Production & property taxes	(6.10)	(5.48)	(3.91)	(3.49)	(2.40)
Field-level cash margin	\$ 36.78	\$ 31.99	\$ 18.69	\$ 18.63	\$ 9.09
Other					
Realized price	\$ 65.37	\$ 50.58	\$ 37.67	\$ 34.15	\$ 22.95
Lease operating expenses	(16.69)	(17.15)	(15.35)	(19.92)	(17.40)
Gathering, processing & transportation	(0.58)	(0.62)	(0.59)	(0.51)	(0.34)
Production & property taxes	(5.25)	(4.60)	(3.38)	(3.62)	(5.11)
Field-level cash margin	\$ 42.85	\$ 28.21	\$ 18.35	\$ 10.10	\$ 0.10
Devon - Total					
Realized price	\$ 41.75	\$ 39.14	\$ 25.63	\$ 22.60	\$ 14.37
Lease operating expenses	(4.06)	(4.44)	(2.97)	(3.32)	(3.69)
Gathering, processing & transportation	(2.85)	(2.87)	(4.23)	(4.17)	(4.16)
Production & property taxes	(3.05)	(2.88)	(1.66)	(1.52)	(1.07)
Field-level cash margin	\$ 31.79	\$ 28.95	\$ 16.77	\$ 13.59	\$ 5.45

NON-GAAP MEASURES

(all monetary values in millions, except per share amounts)

This press release includes non-GAAP financial measures. These non-GAAP measures are not alternatives to GAAP measures, and you should not consider these non-GAAP measures in isolation or as a substitute for analysis of our results as reported under GAAP. Below is additional disclosure regarding each of the non-GAAP measures used in this press release, including reconciliations to their most directly comparable GAAP measure.

CORE EARNINGS

Devon's reported net earnings include items of income and expense that are typically excluded by securities analysts in their published estimates of the company's financial results. Accordingly, the company also uses the measures of core earnings (loss) and core earnings (loss) per share attributable to Devon. Devon believes these non-GAAP measures facilitate comparisons of its performance to earnings estimates published by securities analysts. Devon also believes these non-GAAP measures can facilitate comparisons of its performance between periods and to the performance of its peers. The following table summarizes the effects of these items on second-quarter 2021 earnings.

	Quarter Ended June 30, 2021			
	Before-tax	After-tax	After Noncontrolling Interests	Per Diluted Share
Total				
Earnings (GAAP)	\$ 304	\$ 261	\$ 256	\$ 0.38
Adjustments:				
Asset dispositions	(87)	(67)	(67)	(0.10)
Asset and exploration impairments	1	1	1	0.00
Deferred tax asset valuation allowance	—	(115)	(115)	(0.17)
Change in tax legislation	—	62	62	0.09
Fair value changes in financial instruments and foreign currency	334	258	258	0.38
Restructuring and transaction costs	23	21	21	0.03
Early retirement of debt	(10)	(8)	(8)	(0.01)
Core earnings (Non-GAAP)	\$ 565	\$ 413	\$ 408	\$ 0.60

EBITDAX

Devon believes EBITDAX provides information useful in assessing operating and financial performance across periods. Devon computes EBITDAX as net earnings from continuing operations before income tax expense; financing costs, net; exploration expenses; depreciation, depletion and amortization; asset impairments; asset disposition gains and losses; non-cash share-based compensation; non-cash valuation changes for derivatives and financial instruments; restructuring and transaction costs; accretion on discounted liabilities; and other items not related to normal operations. EBITDAX as defined by Devon may not be comparable to similarly titled measures used by other companies and should be considered in conjunction with net earnings from continuing operations.

	YTD '21	Q2 '21	Q1 '21
Net earnings (GAAP)	\$ 477	\$ 261	\$ 216
Financing costs, net	157	80	77
Income tax expense (benefit)	(205)	43	(248)
Exploration expenses	6	3	3
Depreciation, depletion and amortization	1,003	536	467
Asset dispositions	(119)	(87)	(32)
Share-based compensation	40	20	20
Derivative and financial instrument non-cash valuation changes	632	336	296
Restructuring and transaction costs	212	23	189
Accretion on discounted liabilities and other	(43)	(14)	(29)
EBITDAX (Non-GAAP)	\$ 2,160	\$ 1,201	\$ 959
Annualized EBITDAX (Non-GAAP)	\$ 4,320		

NET DEBT

Devon defines net debt as debt less cash, cash equivalents and cash restricted for discontinued operations. Devon believes that netting these sources of cash against debt provides a clearer picture of the future demands on cash from Devon to repay debt.

	Quarter Ended June 30, 2021
Total debt (GAAP)	\$ 6,502
Less:	
Cash, cash equivalents and restricted cash	(1,539)
Net debt (Non-GAAP)	<u>\$ 4,963</u>

NET DEBT-TO-EBITDAX

Devon defines net debt-to-EBITDAX as net debt divided by an annualized EBITDAX measure. Due to the merger with WPX closing in the first quarter of 2021, Devon has shown the first six months of 2021 EBITDAX annualized divided by net debt to show a more meaningful net debt-to-EBITDAX measure. Devon believes this ratio provides information useful to investors in assessing the company's credit position and debt leverage.

	Quarter Ended June 30, 2021
Net debt (Non-GAAP)	\$ 4,963
EBITDAX (annualized 1H '21) (Non-GAAP)	\$ 4,320
Net debt-to-EBITDAX (Non-GAAP)	<u>1.1</u>

FREE CASH FLOW

Devon defines free cash flow as total operating cash flow less capital expenditures. Devon believes that free cash flow provides a useful measure of available cash generated by operating activities for other investing and financing activities.

	Quarter Ended June 30, 2021	Quarter Ended March 31, 2021
Total operating cash flow (GAAP)	\$ 1,093	\$ 592
Less capital expenditures:		
Capital expenditures	(504)	(499)
Free cash flow (Non-GAAP)	<u>\$ 589</u>	<u>\$ 93</u>

REINVESTMENT RATE

Devon defines reinvestment rate as accrued capital expenditures divided by operating cash flow. Devon believes this measure provides useful information to our investors as an indicator of the capital demands of our business relative to the cash flow generated from normal business operations.

	Quarter Ended June 30, 2021
Capital expenditures (accrued)	\$ 509
Operating cash flow	\$ 1,093
Reinvestment rate (Non-GAAP)	<u>47%</u>

VARIABLE DIVIDEND CALCULATION

Devon may pay a variable dividend up to 50 percent of its excess cash flow. Each quarter's excess cash flow is computed as adjusted cash flow less capital expenditures and the fixed dividend.

	Quarter Ended June 30, 2021
Operating cash flow (GAAP)	\$ 1,093
Changes in assets and liabilities, net	(17)
Cash from operations before balance sheet changes (Non-GAAP)	1,076
Cash restructuring and transaction costs (Non-GAAP)	23
Adjusted cash flow (Non-GAAP)	1,099
Capital expenditures (Accrued)	(509)
Adjusted free cash flow (Non-GAAP)	590
Fixed quarterly dividend (\$0.11/share)	(75)
Excess free cash flow (Non-GAAP)	515
50% Pay out (Board Discretion: Up to 50%)	50%
Total variable dividend (\$0.38/share)	<u>\$ 257</u>

THIRD-QUARTER AND FULL-YEAR 2021 GUIDANCE
PRODUCTION GUIDANCE

	Quarter 3		Full Year	
	Low	High	Low	High
Oil (MBbls/d)	290	300	280	290
Natural gas liquids (MBbls/d)	130	140	120	130
Gas (MMcf/d)	875	925	835	895
Total oil equivalent (MBoe/d)	566	594	539	569

CAPITAL EXPENDITURES GUIDANCE

(in millions)	Quarter 3		Full Year	
	Low	High	Low	High
Upstream capital	\$ 400	\$ 450	\$ 1,600	\$ 1,800
Midstream capital	5	15	80	100
Other capital	15	25	40	80
Total capital	\$ 420	\$ 490	\$ 1,720	\$ 1,980

PRICE REALIZATIONS GUIDANCE

	Quarter 3		Full Year	
	Low	High	Low	High
Oil - % of WTI	90%	100%	92%	100%
NGL - % of WTI	35%	45%	35%	45%
Natural gas - % of Henry Hub	75%	85%	80%	90%

OTHER GUIDANCE ITEMS

(\$ millions, except Boe and %)	Quarter 3		Full Year	
	Low	High	Low	High
Marketing & midstream operating profit	\$ (5)	\$ 5	\$ (30)	\$ (10)
LOE & GP&T per BOE	\$6.75	\$7.25	\$ 7.00	\$ 7.30
Production & property taxes as % of upstream sales	7.0%	8.0%	7.0%	8.0%
Exploration expenses	\$ —	\$ 5	\$ 5	\$ 15
Depreciation, depletion and amortization	\$ 540	\$ 590	\$ 2,100	\$ 2,150
General & administrative expenses	\$ 90	\$ 100	\$ 380	\$ 400
Cash financing costs, net	\$ 90	\$ 100	\$ 395	\$ 415
Other expenses	\$ —	\$ 10	\$ (20)	\$ (40)
Current income tax rate from continuing operations	0%	0%	0%	0%
Deferred income tax rate from continuing operations	20%	30%	20%	30%
Total income tax rate from continuing operations	20%	30%	20%	30%

CONTINGENT PAYMENTS FOR BARNETT SHALE DIVESTITURE (4-year period beginning in 2021)

<u>WTI Threshold</u>	<u>WTI Annual Earnout Amount</u>	<u>Henry Hub Threshold</u>	<u>Henry Hub Annual Earnout Amount</u>
\$ 50.00	\$ 10,000,000	\$ 2.75	\$ 20,000,000
\$ 55.00	\$ 12,500,000	\$ 3.00	\$ 25,000,000
\$ 60.00	\$ 15,000,000	\$ 3.25	\$ 35,000,000
\$ 65.00	\$ 20,000,000	\$ 3.50	\$ 45,000,000

2021 & 2022 HEDGING POSITIONS
Oil Commodity Hedges

<u>Period</u>	<u>Price Swaps</u>		<u>Price Collars</u>		
	<u>Volume (Bbls/d)</u>	<u>Weighted Average Price (\$/Bbl)</u>	<u>Volume (Bbls/d)</u>	<u>Weighted Average Floor Price (\$/Bbl)</u>	<u>Weighted Average Ceiling Price (\$/Bbl)</u>
Q3 2021	67,460	\$ 41.45	53,250	\$ 39.74	\$ 49.74
Q4 2021	66,460	\$ 41.24	48,250	\$ 38.82	\$ 48.82
Q1-Q4 2022	26,112	\$ 43.75	20,233	\$ 46.41	\$ 56.41

<u>Period</u>	<u>Price Swaptions</u>		<u>Price Call Options</u>	
	<u>Volume (Bbls/d)</u>	<u>Weighted Average Price (\$/Bbl)</u>	<u>Volume (Bbls/d)</u>	<u>Weighted Average Price (\$/Bbl)</u>
Q3 2021	—	\$ —	5,000	\$ 39.50
Q4 2021	—	\$ —	5,000	\$ 39.50
Q1-Q4 2022	10,000	\$ 46.67	—	\$ —

Oil Basis Swaps

<u>Period</u>	<u>Index</u>	<u>Volume (Bbls/d)</u>	<u>Weighted Average Differential to WTI (\$/Bbl)</u>
Q3-Q4 2021	Midland Sweet	23,000	\$ 0.84
Q3-Q4 2021	BRENT/WTI Spread	1,000	\$ (8.00)
Q3-Q4 2021	Guernsey Light Sweet	4,000	\$ (1.49)
Q3-Q4 2021	NYMEX Roll	13,000	\$ 0.39
Q1-Q4 2022	BRENT/WTI Spread	1,000	\$ (7.75)
Q1-Q4 2022	NYMEX Roll	29,000	\$ 0.45

Natural Gas Commodity Hedges - Henry Hub

<u>Period</u>	<u>Price Swaps</u>		<u>Price Collars</u>		
	<u>Volume (MMBtu/d)</u>	<u>Weighted Average Price (\$/MMBtu)</u>	<u>Volume (MMBtu/d)</u>	<u>Weighted Average Floor Price (\$/MMBtu)</u>	<u>Weighted Average Ceiling Price (\$/MMBtu)</u>
Q3 2021	279,000	\$ 2.64	228,000	\$ 2.43	\$ 2.93
Q4 2021	254,000	\$ 2.63	133,000	\$ 2.55	\$ 3.05
Q1-Q4 2022	3,452	\$ 2.85	120,644	\$ 2.59	\$ 3.09

Period	Price Swaptions		Price Call Options		Weighted Average Price (\$/MMBtu)
	Volume (MMBtu/d)	Weighted Average Price (\$/MMBtu)	Volume (MMBtu/d)	Weighted Average Price (\$/MMBtu)	
Q3 2021	—	\$ —	50,000	\$	2.68
Q4 2021	—	\$ —	50,000	\$	2.68
Q1-Q4 2022	100,000	\$ 2.70	—	\$	—

Natural Gas Basis Swaps

Period	Index	Volume (MMBtu/d)	Weighted Average Differential to Henry Hub (\$/MMBtu)
Q3-Q4 2021	El Paso Natural Gas	35,000	\$ (0.92)
Q3-Q4 2021	WAHA	80,000	\$ (0.65)
Q1-Q4 2022	WAHA	70,000	\$ (0.57)

NGL Commodity Hedges

Period	Product	Price Swaps	
		Volume (Bbls/d)	Weighted Average Price (\$/Bbl)
Q3-Q4 2021	Natural Gasoline	1,000	\$ 47.57
Q3-Q4 2021	Normal Butane	1,000	\$ 31.40
Q3-Q4 2021	Propane	1,000	\$ 27.88

Devon's oil derivatives settle against the average of the prompt month NYMEX West Texas Intermediate futures price. Devon's natural gas derivatives settle against the Inside FERC first of the month Henry Hub index. Devon's NGL derivatives settle against the average of the prompt month OPIS Mont Belvieu, Texas index. Commodity hedge positions are shown as of July 29, 2021.