

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

**Form 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2022

or

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

Commission File Number 001-32318

  
**devon**  
**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

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

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

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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  Accelerated filer  Non-accelerated filer   
Smaller reporting company  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.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the voting common stock held by non-affiliates of the registrant as of June 30, 2022 was approximately \$35.9 billion, based upon the closing price of \$55.11 per share as reported by the New York Stock Exchange on such date. On February 1, 2023, 654.0 million shares of common stock were outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of Registrant's definitive Proxy Statement relating to Registrant's 2023 annual meeting of stockholders have been incorporated by reference in Part III of this Annual Report on Form 10-K.

Auditor Name: KPMG LLP

Auditor Location: Oklahoma City, Oklahoma

Audit Firm ID: 185

**DEVON ENERGY CORPORATION**  
**FORM 10-K**  
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## DEFINITIONS

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

“2017 Plan” means the Devon Energy Corporation 2017 Long-Term Incentive Plan.

“2022 Plan” means the Devon Energy Corporation 2022 Long-Term Incentive Plan.

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

“Bcf” means billion cubic feet.

“BKV” means Banpu Kalnin Ventures.

“BLM” means the United States Bureau of Land Management.

“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.

“Catalyst” means Catalyst Midstream Partners, LLC.

“CDM” means Cotton Draw Midstream, L.L.C.

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

“EHS” means environmental, health and safety.

“EPA” means the United States Environmental Protection Agency.

“ESG” means environmental, social and governance.

“G&A” means general and administrative expenses.

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

“GHG” means greenhouse gas.

“IRA” refers to the Inflation Reduction Act of 2022.

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

“LOE” means lease operating expenses.

“Matterhorn” refers to Matterhorn Express Pipeline, LLC.

“MBbls” means thousand barrels.

“MBoe” means thousand Boe.

“Mcf” means thousand cubic feet.

“Merger” means the merger of Merger Sub with and into WPX, with WPX continuing as the surviving corporation and a wholly-owned subsidiary of the Company, pursuant to the terms of the Merger Agreement.

“Merger Agreement” means that certain Agreement and Plan of Merger, dated September 26, 2020, by and among the Company, Merger Sub and WPX.

“Merger Sub” means East Merger Sub, Inc., a wholly-owned subsidiary of the Company.

“MMBbls” means million barrels.

“MMBoe” means million Boe.

“MMBtu” means million Btu.

“MMcf” means million cubic feet.

“N/M” means not meaningful.

"NCI" means noncontrolling interests.

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

“NYMEX” means New York Mercantile Exchange.

“NYSE” means New York Stock Exchange.

“OPEC” means Organization of the Petroleum Exporting Countries.

“SEC” means United States Securities and Exchange Commission.

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

“Standardized measure” means the present value of after-tax future net revenues discounted at 10% per annum.

“STEM” means science, technology, engineering and mathematics.

“S&P 500 Index” means Standard and Poor’s 500 index.

“TSR” means total shareholder return.

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

“VIE” means variable interest entity.

“WPX” means WPX Energy, Inc.

“WTI” means West Texas Intermediate.

“/Bbl” means per barrel.

“/d” means per day.

“/MMBtu” means per MMBtu.

## INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This report includes “forward-looking statements” 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 report that address activities, events or developments that Devon expects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond our control. Consequently, actual future results could differ materially and adversely from our expectations due to a number of factors, including, but not limited to:

- the volatility of oil, gas and NGL prices;
- uncertainties inherent in estimating oil, gas and NGL reserves;
- the extent to which we are successful in acquiring and discovering additional reserves;
- the uncertainties, costs and risks involved in our operations;
- risks related to our hedging activities;
- our limited control over third parties who operate some of our oil and gas properties;
- midstream capacity constraints and potential interruptions in production, including from limits to the build out of midstream infrastructure;
- competition for assets, materials, people and capital;
- regulatory restrictions, compliance costs and other risks relating to governmental regulation, including with respect to federal lands, environmental matters and seismicity;
- risks related to regulatory, social and market efforts to address climate change;
- governmental interventions in energy markets;
- risks relating to the COVID-19 pandemic or other future pandemics;
- counterparty credit risks;
- risks relating to our indebtedness;
- cyberattack risks;
- the extent to which insurance covers any losses we may experience;
- risks related to stockholder activism;
- our ability to successfully complete mergers, acquisitions and divestitures;
- our ability to pay dividends and make share repurchases; and
- any of the other risks and uncertainties discussed in this report.

The forward-looking statements included in this filing speak only as of the date of this report, represent management’s current reasonable expectations as of the date of this filing and are subject to the risks and uncertainties identified above as well as those described elsewhere in this report 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 this report 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.

## PART I

### Items 1 and 2. *Business and Properties*

#### General

A Delaware corporation formed in 1971 and publicly held since 1988, Devon (NYSE: DVN) is an independent energy company engaged primarily in the exploration, development and production of oil, natural gas and NGLs. Our operations are concentrated in various onshore areas in the U.S.

On January 7, 2021, Devon and WPX completed an all-stock merger of equals. WPX was an oil and gas exploration and production company with assets in the Delaware Basin in Texas and New Mexico and the Williston Basin in North Dakota. This merger enhanced the scale of our operations, built a leading position in the Delaware Basin and accelerated our cash-return business model that prioritizes free cash flow generation and the return of capital to shareholders. In accordance with the Merger Agreement, WPX shareholders received a fixed exchange of 0.5165 shares of Devon common stock for each share of WPX common stock owned. The combined company continues to operate under the name Devon. Our principal and administrative offices are located at 333 West Sheridan, Oklahoma City, OK 73102-5015 (telephone 405-235-3611).

Devon files or furnishes annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, as well as any amendments to these reports, with the SEC. Through our website, [www.devonenergy.com](http://www.devonenergy.com), we make available electronic copies of the documents we file or furnish to the SEC, the charters of the committees of our Board of Directors and other documents related to our corporate governance. The corporate governance documents available on our website include our Code of Ethics for Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, and any amendments to and waivers from any provision of that Code will also be posted on our website. Access to these electronic filings is available free of charge as soon as reasonably practicable after filing or furnishing them to the SEC. Printed copies of our committee charters or other governance documents and filings can be requested by writing to our corporate secretary at the address on the cover of this report. Reports filed with the SEC are also made available on its website at [www.sec.gov](http://www.sec.gov).

#### Our Strategy

Our business strategy is focused on delivering a consistently competitive shareholder return among our peer group. Because the business of exploring for, developing and producing oil and natural gas is capital intensive, delivering sustainable, capital efficient cash flow growth is a key tenet to our success. While our cash flow is highly dependent on volatile and uncertain commodity prices, we pursue our strategy throughout all commodity price cycles with four fundamental principles.

*Proven and responsible operator* – We operate our business with the interests of our stakeholders and our ESG values in mind. With our vision to be a premier independent oil and natural gas exploration and production company, the work our employees do every day contributes to the local, national and global economies. We produce a valuable commodity that is fundamental to society, and we endeavor to do so in a safe, environmentally responsible and ethical way, while striving to deliver strong returns to our shareholders. We have an ongoing commitment to transparency in reporting our ESG performance. We continue to establish new environmental performance targets for our Company and further incorporate ESG initiatives into our compensation structure.

*Premier, sustainable portfolio of assets* – As discussed in more detail later in this section, we own a portfolio of assets located in the United States. We strive to own premier assets capable of generating cash flows in excess of our capital and operating requirements, as well as competitive rates of return. We also desire to own a portfolio of assets that can deliver sustainable production extending many years into the future and provide reliable and affordable energy needed to support the world's growing population and energy demands. As a result of our recent Merger and acquisition and divestiture activity, our oil production, price realizations and field-level margins have continued to improve as we continue to sharpen our focus on five U.S. oil and liquids plays located in the Delaware Basin, Anadarko Basin, Williston Basin, Eagle Ford and Powder River Basin.

*Superior execution* – As we pursue cash flow growth, we continually work to optimize the efficiency of our capital programs and production operations, with an underlying objective of reducing absolute and per unit costs and enhancing our returns. We also strive to leverage our culture of health, safety and environmental stewardship in all aspects of our business.

*Financial strength and flexibility* – Commodity prices are uncertain and volatile, so we strive to maintain a strong balance sheet, as well as adequate liquidity and financial flexibility, in order to operate competitively in all commodity price cycles. Our capital allocation decisions are made with attention to these financial stewardship principles, as well as the priorities of funding our core operations, protecting our investment-grade credit ratings, and paying and growing our shareholder dividend. While maintaining financial strength is a top priority, we remain committed to maximizing shareholder value which is evidenced by instituting our fixed plus variable dividend strategy and making opportunistic share repurchases.

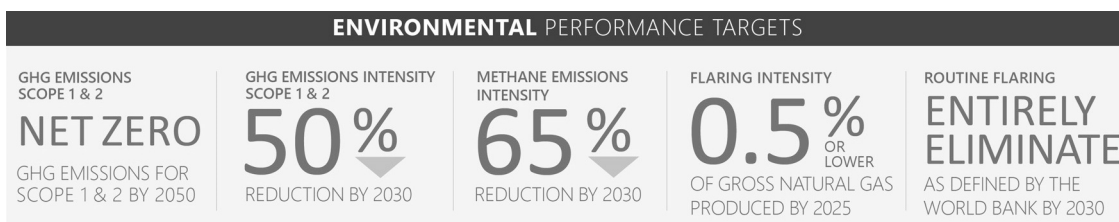
## Environmental, Social and Governance

Devon is focused on producing reliable, affordable and accessible energy the world needs, while continuing to find ways to produce and deliver it more responsibly. We consider the potential impacts of our operations when planning activities and making decisions. We strive to comply with all applicable environmental laws and regulations, often going above and beyond what is required. In the process, Devon incorporates technology, tools and techniques that enable us to minimize or avoid effects on air, water, land and wildlife. We are also evaluating and selectively investing in opportunities to create value in the transition to ever-cleaner forms of energy.

We have a strong organization in place to manage environmental performance, from our Board of Directors to our EHS/ESG leadership team and field-level EHS and operations teams. In recent years, we have updated our governance practices to elevate EHS and ESG oversight and discussion, including those related to climate change and energy transition opportunities. Our Board's Governance, Environmental, and Public Policy Committee frequently reviews our environmental initiatives and is keenly interested in the operational measures, technological advancements, and other actions that the Company takes in advancing our status in this important area. We recently established our standalone ESG team of subject matter experts on sustainability and ESG. The team provides advisory support across Devon to continue making progress in ESG and sustainability.

As a result of our organizational efforts, environmental objectives and targets are considered in capital allocation decisions, corporate and business unit planning and team strategies to integrate sustainability into our business activities. To support our commitment to improve our environmental footprint, we spent approximately \$100 million in 2022 on capital projects that will directly or indirectly result in emissions reduction and anticipate similar spending in 2023.

Devon has established environmental performance targets that reflect our dedication and commitment to providing affordable energy while achieving meaningful emissions reductions and pursuing our ultimate goal of net zero GHG emissions for Scope 1 and 2. Our GHG and methane targets shown below are calculated from a 2019 baseline. Devon's emission reduction strategy includes a range of potential actions including expanding our leak detection and repair program; deploying advanced leak detection technologies; reducing the volume of natural gas that is flared; electrifying facilities to reduce the use of natural gas and diesel consumed onsite; and optimizing facility design to minimize leaks and eliminate common equipment failures.



Devon is also focused on conserving and reusing water and interacting with our value chain on our overall environmental goals. We have set a target to advance our recycled water rate by using 90% or more non-freshwater for completions activities in our most active operating areas within the Delaware Basin. Devon is also actively engaged with our stakeholders upstream and downstream of our operations to improve ESG performance across our value chain. We are confident we can deliver strong operational and financial results in a manner that reduces our environmental impact while safeguarding our workforce and the communities in which we operate.

## Human Capital

Delivering strong operational and financial results in a safe, environmentally and socially responsible way requires the expertise and positive contributions of every Devon employee. Consequently, our people are the Company's most important resource and we seek to hire people who share and demonstrate our core values of integrity, relationships, courage and results. To develop our workforce, we focus on training, safety, wellness, inclusion, diversity and equity. As of December 31, 2022, Devon and its consolidated subsidiaries had approximately 1,800 employees, all located in the U.S.

### *Employee Safety and Wellness*

We prepare our workforce to work safely with comprehensive training and orientation, on-the-job guidance and tools, safety engagements, recognition and other resources. Employees and contractors are expected to comply with safety rules and regulations and are accountable for stopping at-risk work, immediately reporting incidents and near-miss events and informing visitors of

emergency alarms and evacuation plans. To safeguard workers on our well sites and neighbors nearby, we plan, design, drill, complete and produce wells using proven best practices, technologies, tools and materials.

Beyond employee safety, Devon also prioritizes the physical, mental and financial wellness of our employees. We offer competitive health and financial benefits with incentives designed to promote well-being, including an Employee Assistance Program (“EAP”) that provides counseling services for employees and their family members free of charge. Access to experienced counselors, financial experts, staff attorneys, elder-care consultants and other services are included in EAP services available 365 days a year, 24 hours a day. In 2022, Devon implemented additional virtual mental health counseling resources available through talk and text, as well as a digital mental health platform providing mental health assessment and education. Devon encourages employees to take advantage of our wellness programs and activities by getting an annual physical exam, attending preventive health screenings and completing a financial wellness series, all at no cost to our workforce.

### ***Employee Compensation, Benefits and Development***

We strive to attract and retain high-performing individuals across our workforce. One way we do this is by providing competitive compensation and benefits, including annual bonuses; a 401(k) savings plan with a Devon contribution up to 14% of the employee’s earnings; stock awards for all employees; medical, dental and vision health care coverage; health savings and dependent-care flexible spending accounts; maternity and parental leave for the birth or adoption of a child; an adoption assistance program; alternate work schedules; flexible work hours; part-time work options; and telecommuting support; among other benefits. During 2022, Devon revised its paid time off practices and launched an additional four-week Paid Family and Medical Leave Policy for all employees to take care of themselves and their families. In response to the increase in global inflation affecting employees throughout 2022, Devon suspended collection of employee health care premiums through the end of 2023.

Devon also looks to our core values to build the workforce we need. We develop our employees’ knowledge and creativity and advance continual learning and career development through ongoing performance, training and development conversations.

### ***Diversity, Equity and Inclusion***

Devon’s success depends on employees who demonstrate integrity, accountability, perseverance and a passion for building our business and delivering results. Our efforts to create a workforce with these qualities start with offering equal opportunity in all aspects of employment. We do this with company policies and leadership commitment, and by providing employees opportunities to help shape Devon’s diversity, equity and inclusion direction and actions.

We strive to demonstrate inclusion, equity and diversity throughout the Company to bring a range of thoughts, experiences and points of view to our problem-solving and decision-making. Along with senior leadership efforts, Devon’s Diversity, Equity and Inclusion (“DEI”) Team works to proactively increase diversity and inclusion awareness, identify challenges and find innovative ways to achieve Devon’s inclusion and diversity vision and priorities. In 2022, our workforce was comprised of 23% females and 22% minorities. Along with our workforce efforts, we invest in DEI through community partnerships. One way we are achieving this is by creating STEM centers in elementary schools in the areas in which we operate. Devon has helped open 120 STEM centers that orient children of all backgrounds to skills that will be essential for the future workforce. In 2022, Devon awarded 14 DEI grants to diverse community organizations throughout Oklahoma and New Mexico, totaling \$125,000. The DEI grant program plans to expand in 2023 to provide DEI grants across all operating areas of the Company.

### ***Compliance Culture***

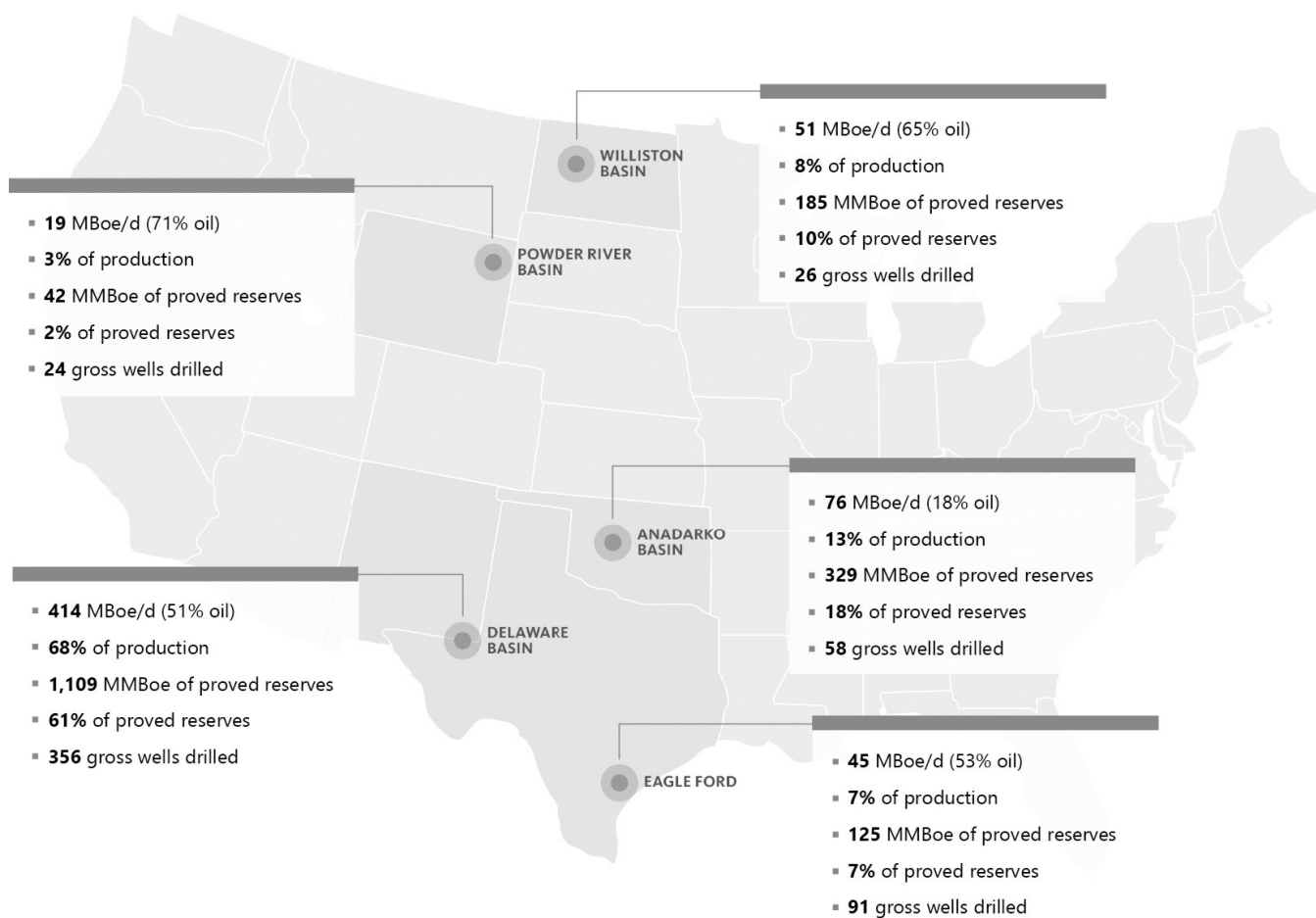
We reinforce the high expectations we have for ethical conduct by our employees through our Code of Business Conduct and Ethics (“Code”). The Code sets out basic principles for all employees to follow and incorporates specific guidance on critical areas such as our prohibition of harassment and discrimination, our protocols for avoiding conflicts of interest and our policies related to anti-corruption laws, privacy, cybersecurity and confidential information. On an annual basis, Devon employees, as well as our directors and officers, are required to acknowledge and agree to abide by our Code and complete a training course on the Code and its related policies. We encourage our employees to help enforce the Code, and we maintain reporting systems that are designed to minimize concerns that reports will result in retaliation.



## Oil and Gas Properties

### Property Profiles

Key summary data from each of our areas of operation as of and for the year ended December 31, 2022 are detailed in the map below.



*Delaware Basin* – The Delaware Basin is our largest and most active program in the portfolio with operations in southeast New Mexico and across the state line into west Texas. We acquired additional acreage in the Delaware Basin through the Merger, creating an industry leading position in this basin. Through capital efficient drilling programs, it offers exploration and low-risk development opportunities from many geologic reservoirs and play types, including the oil-rich Wolfcamp, Bone Spring, Avalon and Delaware formations. With a significant inventory of oil and liquids-rich drilling opportunities that have multi-zone development potential, Devon has a robust platform to deliver high-margin drilling programs for many years to come. At December 31, 2022, we had 16 operated rigs developing this asset in the Wolfcamp and Bone Spring formations. The Delaware Basin is our top funded asset and is expected to receive approximately 60% of our capital allocation in 2023.

*Anadarko Basin* – Our Anadarko Basin development, located primarily in western Oklahoma’s Canadian, Kingfisher and Blaine counties, provides long-term optionality through its significant inventory. Our Anadarko Basin position is one of the largest in the industry, providing visible long-term production. We have an agreement with Dow to jointly develop a portion of our Anadarko Basin acreage and, as of December 31, 2022 we had a four operated rig program associated with this joint venture.

*Williston Basin* – We acquired our position in the Williston Basin through the Merger in 2021. It is located entirely on the Fort Berthold Indian Reservation in North Dakota, and its operations are focused in the oil-prone Bakken and Three Forks formations. Our Williston Basin asset is a high-margin oil resource located in the core of the play and generated substantial cash flow in 2022. In July 2022, we acquired additional producing properties and leasehold interests in the Williston Basin that are complementary to our existing acreage, offer operational synergies and added high-quality inventory to our asset portfolio. At December 31, 2022, we had two operated rigs developing this asset.

*Eagle Ford* – Our Eagle Ford operations are located in Texas' DeWitt and Karnes counties, situated in the economic core of this south Texas play. Its production is leveraged to oil and has low-cost access to premium Gulf Coast pricing, providing for strong operating margins. In September 2022, we acquired additional producing properties and leasehold interests in the Eagle Ford that are complementary to our existing acreage, offer operational synergies and added high-quality inventory to our asset portfolio. At December 31, 2022, we had two operated rigs developing this asset.

*Powder River Basin* – This asset is focused on emerging oil opportunities in Wyoming's Powder River Basin. We are currently targeting several Cretaceous oil objectives, including the Turner, Parkman, Teapot and Niobrara formations. Recent drilling success in this basin has expanded our drilling inventory, and we expect further growth as we accelerate activity and continue to de-risk this emerging light-oil opportunity. At December 31, 2022, we had one operated rig targeting the Turner, Parkman, Teapot and Niobrara formations in northern Converse County.

### **Proved Reserves**

Proved oil and gas reserves are those quantities of oil, gas and NGLs which can be estimated with reasonable certainty to be economically producible from known reservoirs under existing economic conditions, operating methods and government regulations. To be considered proved, oil and gas reserves must be economically producible before contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain. Also, the project to extract the hydrocarbons must have commenced or the operator must be reasonably certain that it will commence within a reasonable time. We establish our proved reserves estimates using standard geological and engineering technologies and computational methods, which are generally accepted by the petroleum industry. We primarily prepare our proved reserves additions by analogy using type curves that are based on decline curve analysis of wells in analogous reservoirs. We further establish reasonable certainty of our proved reserves estimates by using one or more of the following methods: geological and geophysical information to establish reservoir continuity between penetrations, rate-transient analysis, analytical and numerical simulations, or other proprietary technical and statistical methods. For estimates of our proved developed and proved undeveloped reserves and the discussion of the contribution by each property, see Note 22 in “Item 8. Financial Statements and Supplementary Data” of this report.

The process of estimating oil, gas and NGL reserves is complex and requires significant judgment, as discussed in “Item 1A. Risk Factors” of this report. As a result, we have developed internal policies for estimating and recording reserves in compliance with applicable SEC definitions and guidance. Our policies assign responsibilities for compliance in reserves bookings to our Reserve Evaluation Group (the “Group”). The Group, which is led by Devon’s Manager of Reserves and Economics, is responsible for the internal review and certification of reserves estimates. We ensure the Manager and key members of the Group have appropriate technical qualifications to oversee the preparation of reserves estimates and are independent of the operating groups. The Manager of the Group has over 15 years of industry experience, a degree in engineering and is a registered professional engineer. The Group also oversees audits and reserves estimates performed by a qualified third-party petroleum consulting firm. During 2022, we engaged DeGolyer and MacNaughton to audit approximately 89% of our proved reserves. Additionally, our Board of Directors has a Reserves Committee that provides additional oversight of our reserves process. The committee consists of six independent members of our Board of Directors who collectively have skills and backgrounds that are relevant to the reserves estimation processes, reporting systems and disclosure requirements.

The following tables present production, price and cost information for each significant field in our asset portfolio and the total company.

Year Ended December 31,	Production			
	Oil (MMBbls)	Gas (Bcf)	NGLs (MMBbls)	Total (MMBoe)
<b>2022</b>				
Delaware Basin	77	222	38	151
Anadarko Basin	5	81	9	28
Total	109	356	54	223
<b>2021</b>				
Delaware Basin	72	195	32	136
Anadarko Basin	5	79	9	27
Total	106	325	48	209
<b>2020</b>				
Delaware Basin	31	91	13	60
Anadarko Basin	7	92	10	33
Total	57	221	29	122

Year Ended December 31,	Average Sales Price			Production Cost (Per Boe) <sup>(1)</sup>
	Oil (Per Bbl)	Gas (Per Mcf)	NGLs (Per Bbl)	
<b>2022</b>				
Delaware Basin	\$ 94.87	\$ 5.44	\$ 34.33	\$ 6.58
Anadarko Basin	\$ 93.41	\$ 6.36	\$ 36.40	\$ 10.10
Total	\$ 94.11	\$ 5.47	\$ 34.18	\$ 7.92
<b>2021</b>				
Delaware Basin	\$ 66.67	\$ 3.47	\$ 30.02	\$ 5.97
Anadarko Basin	\$ 66.29	\$ 3.80	\$ 29.73	\$ 9.26
Total	\$ 65.98	\$ 3.40	\$ 29.52	\$ 7.02
<b>2020</b>				
Delaware Basin	\$ 37.25	\$ 1.08	\$ 10.64	\$ 5.76
Anadarko Basin	\$ 35.80	\$ 1.66	\$ 12.11	\$ 9.61
Total	\$ 35.95	\$ 1.48	\$ 11.72	\$ 7.66

(1) Represents production expense per Boe excluding production and property taxes.

### Drilling Statistics

The following table summarizes our development and exploratory drilling results. We did not have any dry development or exploratory wells drilled for the years 2022, 2021 or 2020.

Year Ended December 31,	Development Wells <sup>(1)</sup>	Exploratory Wells <sup>(1)</sup>	Total Wells <sup>(1)</sup>
	Productive	Productive	Total
<b>2022</b> <sup>(2)</sup>	263.8	47.3	311.1
<b>2021</b>	236.3	18.8	255.1
<b>2020</b>	106.5	26.6	133.2

- (1) Well counts represent net wells completed during each year. Gross wells are the sum of all wells in which we own a working interest. Net wells are gross wells multiplied by our fractional working interests in each well.
- (2) As of December 31, 2022, there were 281 gross and 163 net wells that have been spud and are in the process of drilling, completing or waiting on completion.

### Productive Wells

The following table sets forth our producing wells as of December 31, 2022.

	Oil Wells		Natural Gas Wells		Total Wells	
	Gross <sup>(1)(3)</sup>	Net <sup>(2)</sup>	Gross <sup>(1)(3)</sup>	Net <sup>(2)</sup>	Gross <sup>(1)(3)</sup>	Net <sup>(2)</sup>
Total	10,638	4,039	3,664	1,628	14,302	5,667

- (1) Gross wells are the sum of all wells in which we own a working interest.
- (2) Net wells are gross wells multiplied by our fractional working interests in each well.
- (3) Includes 24 and 46 gross oil and gas wells, respectively, which had multiple completions.

The day-to-day operations of oil and gas properties are the responsibility of an operator designated under pooling or operating agreements. The operator supervises production, maintains production records, employs field personnel and performs other functions. We are the operator of approximately 6,169 gross wells. As operator, we receive reimbursement for direct expenses incurred to perform our duties, as well as monthly per-well producing, drilling and construction overhead reimbursement at rates customarily charged in the respective areas. In presenting our financial data, we record the monthly overhead reimbursements as a reduction of G&A, which is a common industry practice.

### Acreage Statistics

The following table sets forth our developed and undeveloped lease and mineral acreage as of December 31, 2022. Of our 2.0 million net acres, approximately 1.3 million acres are held by production. The acreage in the table below does not include any material net acres subject to leases that are scheduled to expire during 2023, 2024 and 2025. For the net acres that are set to expire by

December 31, 2025, we anticipate performing operational and administrative actions to continue the lease terms for portions of the acreage that we intend to further assess. However, we do expect to allow a portion of the acreage to expire in the normal course of business. Less than 20% of our total net acres are located on federal lands.

	Developed		Undeveloped		Total	
	Gross <sup>(1)</sup>	Net <sup>(2)</sup>	Gross <sup>(1)</sup>	Net <sup>(2)</sup>	Gross <sup>(1)</sup>	Net <sup>(2)</sup>
	(Thousands)					
Total	1,234	730	3,086	1,282	4,320	2,012

(1) Gross acres are the sum of all acres in which we own a working interest.

(2) Net acres are gross acres multiplied by our fractional working interests in the acreage.

### ***Title to Properties***

Title to properties is subject to contractual arrangements customary in the oil and gas industry, liens for taxes not yet due and, in some instances, other encumbrances. We believe that such burdens do not materially detract from the value of properties or from the respective interests therein or materially interfere with their use in the operation of the business.

As is customary in the industry, a preliminary title investigation, typically consisting of a review of local title records, is made at the time of acquisitions of undeveloped properties. More thorough title investigations, which generally include a review of title records and the preparation of title opinions by outside legal counsel, are made prior to the consummation of an acquisition of producing properties and before commencement of drilling operations on undeveloped properties.

### **Marketing Activities**

#### ***Oil, Gas and NGL Marketing***

The spot markets for oil, gas and NGLs are subject to volatility as supply and demand factors fluctuate. As detailed below, we sell our production under both long-term (one year or more) and short-term (less than one year) agreements at prices negotiated with third parties. Regardless of the term of the contract, the vast majority of our production is sold at variable, or market-sensitive, prices.

Additionally, we may enter into financial hedging arrangements or fixed-price contracts associated with a portion of our oil, gas and NGL production. These activities are intended to support targeted price levels and to manage our exposure to price fluctuations. See Note 3 in “Item 8. Financial Statements and Supplementary Data” of this report for further information.

As of January 2023, our production was sold under the following contract terms.

	Short-Term		Long-Term	
	Variable	Fixed	Variable	Fixed
Oil	33%	—	67%	—
Natural gas	64%	4%	32%	—
NGLs	83%	7%	10%	—

### ***Delivery Commitments***

A portion of our production is sold under certain contractual arrangements that specify the delivery of a fixed and determinable quantity. As of December 31, 2022, we were committed to deliver the following fixed quantities of production.

	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Oil (MMBbls)	39	27	7	5	—
Natural gas (Bcf)	495	148	146	73	128
NGLs (MMBbls)	15	15	—	—	—
Total (MMBoe)	136	66	32	17	21

We expect to fulfill our delivery commitments primarily with production from our proved developed reserves. Moreover, our proved reserves have generally been sufficient to satisfy our delivery commitments during the three most recent years, and we expect

such reserves will continue to be the primary means of fulfilling our future commitments. However, where our proved reserves are not sufficient to satisfy our delivery commitments, we can and may use spot market purchases to satisfy the commitments.

## **Competition**

See “Item 1A. Risk Factors.”

## **Public Policy and Government Regulation**

Our industry is subject to a wide range of governmental regulation and oversight. Laws, regulations, taxes, fees and other policy implementation actions affecting our industry have been pervasive and are under constant review for amendment or expansion. Numerous government agencies have issued extensive regulations which are binding on our industry and its individual members, some of which carry substantial penalties for failure to comply. These laws and regulations increase the cost of doing business and consequently affect profitability. Public policy changes are commonplace, and changes to existing laws and regulations are frequently proposed or implemented. Moreover, it is often difficult to quantify all associated compliance costs as such amounts may be indistinguishable components of our general capital expenditures and operating expenses. Accordingly, we are unable to predict the future cost or impact of regulatory compliance, though we do not expect such compliance costs or impacts to affect our operations materially differently than other similarly situated companies. However, based on regulatory trends and increasingly stringent laws and permitting requirements, our capital expenditures and operating expenses related to environmental and other regulations have increased over the years and will likely continue to increase. For more information on our environmental capital expenditures specifically, see the environmental, social and governance discussion earlier in this Annual Report.

The following are significant areas of government control and regulation affecting our operations. For additional information on the Company’s regulatory risks, see “Item 1A. Risk Factors—Legal, Regulatory and Environmental Risks” of this report.

### ***Exploration and Production Regulation***

Our operations are subject to various federal, state, tribal and local laws and regulations relating to exploration and production activities, including with respect to:

- acquisition of seismic data;
- design, location, drilling and casing of wells;
- hydraulic fracturing;
- well production, and the gathering and transportation of such production;
- spill prevention plans;
- emissions and discharge permitting;
- use, transportation, storage and disposal of fluids and materials incidental to oil and gas operations;
- surface usage and the restoration of properties upon which wells have been drilled;
- calculation and disbursement of royalty payments and production taxes;
- plugging and abandoning of wells; and
- endangered species and habitat.

Our operations also are subject to conservation regulations, including the regulation of the size of drilling and spacing units or proration units; the number of wells that may be drilled in a unit; the rate of production allowable from oil and gas wells; and the unitization or pooling of oil and gas properties. Some states allow the forced pooling or unitization of tracts to facilitate exploration and development, while other states rely on voluntary pooling of lands and leases. Such rules often impact the ultimate timing of our exploration and development plans. In addition, federal and state conservation laws generally limit the venting or flaring of natural gas, and state conservation laws impose certain requirements regarding the ratable purchase of production. These regulations limit the amounts of oil and gas we can produce from our wells and the number of wells or the locations at which we can drill.

Certain of our leases are granted or approved by the federal government and administered by the BLM or Bureau of Indian Affairs of the Department of the Interior. Such leases require compliance with detailed federal regulations and orders that regulate, among other matters, drilling and operations on lands covered by these leases and calculation and disbursement of royalty payments to

the federal government, tribes or tribal members. Moreover, the permitting process for oil and gas activities on federal and Indian lands can sometimes be subject to delay, including as a result of challenges to permits or other regulatory decisions brought by non-governmental organizations or other parties, which can hinder development activities or otherwise adversely impact operations. The federal government has, from time to time, evaluated and, in some cases, promulgated new rules and regulations regarding competitive lease bidding, venting and flaring, oil and gas measurement and royalty payment obligations for production from federal lands.

### ***Environmental, Health and Safety Regulations***

We strive to conduct our operations in a socially and environmentally responsible manner, which includes compliance with applicable law. We are subject to many federal, state, tribal and local laws and regulations concerning occupational safety and health as well as the discharge of materials into, and the protection of, the environment and natural resources. Environmental, health and safety laws and regulations relate to, among other things:

- the discharge of pollutants into federal and state waters;
- assessing the environmental impact of seismic acquisition, drilling or construction activities;
- the generation, storage, transportation and disposal of waste materials, including hazardous substances and wastes;
- the emission of methane and certain other gases into the atmosphere;
- the monitoring, abandonment, reclamation and remediation of well and other sites, including sites of former operations;
- the development of emergency response and spill contingency plans;
- the monitoring, repair and design of pipelines used for the transportation of oil and natural gas;
- the protection of threatened and endangered species; and
- worker protection.

Failure to comply with these laws and regulations can lead to the imposition of remedial liabilities, administrative, civil or criminal fines or penalties or injunctions limiting our operations in affected areas. Moreover, multiple environmental laws provide for citizen suits, which can allow environmental organizations to sue operators for alleged violations of environmental law. Environmental organizations also can assert legal and administrative challenges to certain actions of oil and gas regulators, such as the BLM, for allegedly failing to comply with environmental laws, which can result in delays in obtaining permits or other necessary authorizations. In recent years, federal and state policy makers and regulators have increasingly implemented or proposed new laws and regulations designed to reduce methane emissions and other GHG, which have included mandates for new leak detection and retrofitting requirements, stricter emission standards and a fee on methane emissions. For example, in November 2022, the BLM proposed a rule that would limit flaring as well as allow the delay or denial of permits upon a finding that an operator's methane waste minimization plan is insufficient.

### **Item 1A. Risk Factors**

Our business and operations, and our industry in general, are subject to a variety of risks. The risks described below may not be the only risks we face, as our business and operations may also be subject to risks that we do not yet know of, or that we currently believe are immaterial. If any of the following risks should occur, our business, financial condition, results of operations and liquidity could be materially and adversely impacted. As a result, holders of our securities could lose part or all of their investment in Devon.

### **Risks Related to Our Industry**

#### ***Volatile Oil, Gas and NGL Prices Significantly Impact Our Business***

Our financial condition, results of operations and the value of our properties are highly dependent on the general supply and demand for oil, gas and NGLs, which impact the prices we ultimately realize on our sales of these commodities. Historically, market prices and our realized prices have been volatile. For example, over the last five years, monthly NYMEX WTI oil and NYMEX Henry Hub gas prices ranged from highs of over \$120 per Bbl and \$9.50 per MMBtu, respectively, to lows of under \$30 per Bbl and \$1.50 per MMBtu, respectively. Such volatility is likely to continue in the future due to numerous factors beyond our control, including, but not limited to:

- the domestic and worldwide supply of and demand for oil, gas and NGLs, including the impact of releases from the U.S. Strategic Petroleum Reserve;

- volatility and trading patterns in the commodity-futures markets;
- climate change incentives and conservation and environmental protection efforts;
- production levels of members of OPEC, Russia, the U.S. or other producing countries;
- geopolitical risks, including the on-going conflict between Russia and Ukraine, as well as other political and civil unrest in the Middle East, Africa, Europe and South America;
- adverse weather conditions, natural disasters, public health crises and other catastrophic events, such as tornadoes, earthquakes, hurricanes and epidemics of infectious diseases;
- regional pricing differentials, including in the Delaware Basin and other areas of our operations;
- differing quality of production, including NGL content of gas produced;
- the level of imports and exports of oil, gas and NGLs and the level of global oil, gas and NGL inventories;
- the price and availability of alternative energy sources;
- technological advances affecting energy consumption and production, including with respect to electric vehicles;
- stockholder activism or activities by non-governmental organizations to restrict the exploration and production of oil and natural gas in order to reduce GHG emissions;
- the overall economic environment, including inflationary pressures and rising interest rates;
- changes in trade relations and policies, such as restrictions on oil, gas and NGL exports by the U.S. or economic sanctions, including embargoes, on Russia or other producing countries, as well as the imposition of tariffs by the U.S. or China; and
- other governmental regulations and taxes.

***Estimates of Oil, Gas and NGL Reserves Are Uncertain and May Be Subject to Revision***

The process of estimating oil, gas and NGL reserves is complex and requires significant judgment in the evaluation of available geological, engineering and economic data for each reservoir, particularly for new discoveries. Because of the high degree of judgment involved, different reserve engineers may develop different estimates of reserve quantities and related revenue based on the same data. In addition, the reserve estimates for a given reservoir may change substantially over time as a result of several factors, including additional development and appraisal activity and the related impact to spacing assumptions for future drilling locations, the viability of production under varying economic conditions, including commodity price declines, and variations in production levels and associated costs. For example, we recognized asset impairments of \$2.7 billion in 2020 due to the significant decrease in commodity prices resulting primarily from the COVID-19 pandemic. Consequently, material revisions to our existing reserves estimates may occur as a result of changes in any of these or other factors. Such revisions to proved reserves could have an adverse effect on our financial condition and the value of our properties, as well as the estimates of our future net revenue and profitability. Our policies and internal controls related to estimating and recording reserves are included in “Items 1 and 2. Business and Properties” of this report.

***Discoveries or Acquisitions of Reserves Are Needed to Avoid a Material Decline in Reserves and Production, and Such Activities Are Capital Intensive***

The production rates from oil and gas properties generally decline as reserves are depleted, while related per unit production costs generally increase due to decreasing reservoir pressures and other factors. Moreover, our current development activity is focused on unconventional oil and gas assets, which generally have significantly higher decline rates as compared to conventional assets. Therefore, our estimated proved reserves and future oil, gas and NGL production will decline materially as reserves are produced unless we conduct successful exploration and development activities, such as identifying additional producing zones in existing properties, utilizing secondary or tertiary recovery techniques or acquiring additional properties containing proved reserves. Consequently, our future oil, gas and NGL production and related per unit production costs are highly dependent upon our level of success in finding or acquiring additional reserves.

Our business requires significant capital to find and acquire new reserves. Although we plan to primarily fund these activities from cash generated by our operations, we have also from time to time relied on other sources of capital, including by accessing the debt and equity capital markets. There can be no assurance that these or other financing sources will be available in the future on

acceptable terms, or at all. If we are unable to generate sufficient funds from operations or raise additional capital for any reason, we may be unable to replace our reserves, which would adversely affect our business, financial condition and results of operations.

### ***Our Operations Are Uncertain and Involve Substantial Costs and Risks***

Our operating activities are subject to numerous costs and risks, including the risk that we will not encounter commercially productive oil or gas reservoirs. Drilling for oil, gas and NGLs can be unprofitable, not only from dry holes, but from productive wells that do not return a profit because of insufficient revenue from production or high costs. Substantial costs are required to locate, acquire and develop oil and gas properties, and we are often uncertain as to the amount and timing of those costs. Our cost of drilling, completing, equipping and operating wells is often uncertain before drilling commences. Declines in commodity prices and overruns in budgeted expenditures are common risks that can make a particular project uneconomic or less economic than forecasted. While both exploratory and developmental drilling activities involve these risks, exploratory drilling involves greater risks of dry holes or failure to find commercial quantities of hydrocarbons. In addition, our oil and gas properties can become damaged, our operations may be curtailed, delayed or canceled and the costs of such operations may increase as a result of a variety of factors, including, but not limited to:

- unexpected drilling conditions, pressure conditions or irregularities in reservoir formations;
- equipment failures or accidents;
- fires, explosions, blowouts, cratering or loss of well control, as well as the mishandling or underground migration of fluids and chemicals;
- adverse weather conditions, such as tornadoes, hurricanes, severe thunderstorms and extreme temperatures, the severity and frequency of which could potentially increase as a consequence of climate change;
- other natural disasters, such as earthquakes, floods and wildfires;
- issues with title or in receiving governmental permits or approvals;
- restricted takeaway capacity for our production, including due to inadequate midstream infrastructure or constrained downstream markets;
- environmental hazards or liabilities;
- restrictions in access to, or disposal of, water used or produced in drilling and completion operations; and
- shortages or delays in the availability of services or delivery of equipment.

Many of the factors described above have negatively impacted our operations in the past and may do so again in the future. The occurrence of one or more of these factors could result in a partial or total loss of our investment in a particular property, as well as significant liabilities. Moreover, certain of these events historically have, and in the future could, result in environmental pollution and impact to third parties, including persons living in proximity to our operations, our employees and employees of our contractors, leading to possible injuries, death or significant damage to property and natural resources. For example, we have from time to time experienced well-control events that have resulted in various remediation and clean-up costs and certain of the other impacts described above.

In addition, we rely on our employees, consultants and independent contractors to conduct our operations in compliance with applicable laws and standards. Any violation of such laws or standards by these individuals, whether through negligence, harassment, discrimination or other misconduct, could result in significant liability for us and adversely affect our business. For example, negligent operations by employees could result in serious injury, death or property damage, and sexual harassment or racial, gender or age discrimination could result in legal claims and reputational harm.

### ***Our Hedging Activities Limit Participation in Commodity Price Increases and Involve Other Risks***

We enter into financial derivative instruments with respect to a portion of our production to manage our exposure to oil, gas and NGL price volatility. To the extent that we engage in price risk management activities to protect ourselves from commodity price declines, we will be prevented from fully realizing the benefits of commodity price increases above the prices established by our hedging contracts. In addition, our hedging arrangements may expose us to the risk of financial loss in certain circumstances, including instances in which the contract counterparties fail to perform under the contracts. Moreover, many of our contract



counterparties have become subject to increasing governmental oversight and regulations in recent years, which could adversely affect the cost and availability of our hedging arrangements.

### ***We Have Limited Control Over Properties and Investments Operated by Others or through Joint Ventures***

Certain of the properties and investments in which we have an interest are operated by other companies and may involve third-party working interest owners. We have limited influence and control over the operation or future development of such properties and investments, including compliance with environmental, health and safety regulations or the amount and timing of required future capital expenditures. In addition, we conduct certain of our operations through joint ventures in which we may share control with third parties, and the other joint venture participants may have interests or goals that are inconsistent with those of the joint venture or us. These limitations and our dependence on such third parties could result in unexpected future costs or liabilities and unplanned changes in operations or future development, which could adversely affect our financial condition and results of operations.

### ***Midstream Capacity Constraints and Interruptions Impact Commodity Sales***

We rely on midstream facilities and systems owned and operated by others to process our gas production and to gather and transport our oil, gas and NGL production to downstream markets. All or a portion of our production in one or more regions may be interrupted or shut in from time to time due to losing access to plants, pipelines or gathering systems. Such access could be lost due to a number of factors, including, but not limited to, weather conditions and natural disasters, terrorism or sabotage, cyberattacks, accidents, field labor issues or strikes. Additionally, midstream operators have in the past been, and in the future may be, subject to constraints that limit their ability to construct, maintain or repair the facilities needed to gather, process and transport our production. Such interruptions or constraints could adversely impact our operations, including by requiring us to curtail our production or obtain alternative takeaway capacity on less favorable terms.

### ***Competition for Assets, Materials, People and Capital Can Be Significant***

Strong competition exists in all sectors of the oil and gas industry. We compete with major integrated and independent oil and gas companies for the acquisition of oil and gas leases and properties. We also compete for the equipment, services and personnel required to explore, develop and operate properties, such as drilling rigs and oilfield services. The rising costs and scarcity caused by this competitive pressure will generally increase during periods of higher commodity prices and can be further exacerbated by higher inflation rates and supply chain disruptions in the broader economy. For example, we experienced higher operating costs throughout 2022 due to these factors, and we expect such inflationary pressures to continue in 2023. Competition is also prevalent in the marketing of oil, gas and NGLs. Certain of our competitors have resources substantially greater than ours and may have established superior strategic long-term positions and relationships. As a consequence, we may be at a competitive disadvantage in bidding for assets or services and accessing capital and downstream markets. In addition, many of our larger competitors may have a competitive advantage when responding to factors that affect demand for oil and gas production, such as changing worldwide price and production levels, the cost and availability of alternative energy sources and the application of government regulations.

## **Legal, Regulatory and Environmental Risks**

### ***We Are Subject to Extensive Governmental Regulation, Which Can Change and Could Adversely Impact Our Business***

Our operations are subject to extensive federal, state, tribal and local laws and regulations, including with respect to environmental matters, worker health and safety, wildlife conservation, the gathering and transportation of oil, gas and NGLs, conservation policies, reporting obligations, royalty payments, unclaimed property and the imposition of taxes. Such regulations include requirements for permits to drill and to conduct other operations and for provision of financial assurances (such as bonds) covering drilling, completion and well operations and decommissioning obligations. If permits are not issued, or if unfavorable restrictions or conditions are imposed on our drilling or completion activities, we may not be able to conduct our operations as planned. Moreover, certain regulations require the plugging and abandonment of wells, removal of production facilities and other restorative actions by current and former operators, including corporate successors of former operators. We have incurred and will continue to incur substantial capital, operating and remediation costs as a result of these and other laws, regulations, permits and orders to which we are subject.

Changes in public policy have affected, and in the future could further affect, our operations. For example, President Biden and certain members of his administration and Congress have expressed support for, and have taken steps to implement, efforts to transition the economy away from fossil fuels and to promote stricter environmental regulations, and such proposals could impose new and more onerous burdens on our industry and business. The IRA, for instance, contains hundreds of billions of dollars in incentives for the development of renewable energy, clean fuels and carbon capture and sequestration, among other provisions,

potentially further accelerating the transition toward lower-or zero-carbon emissions alternatives to fossil fuels. These and other regulatory and public policy developments could, among other things, restrict production levels, delay necessary permitting, impose price controls, change environmental protection requirements, impose restrictions on pipelines or other necessary infrastructure, raise taxes, royalties and other amounts payable to governments or governmental agencies and otherwise increase our operating costs. In addition, changes in public policy may indirectly impact our operations by, among other things, increasing the cost of supplies and equipment and fostering general economic uncertainty. Although we are unable to predict changes to existing laws and regulations, such changes could significantly impact our profitability, financial condition and liquidity, particularly changes related to the matters discussed in more detail below.

*Federal Lands* – President Biden and certain members of his administration have expressed support for, and have taken steps to implement, additional regulation of oil and gas leasing and permitting on federal lands. For example, President Biden issued an executive order in January 2021, imposing a near total pause on entering new oil and gas leases on public lands. Although the pause on leasing was subsequently lifted in April 2022, the Department of the Interior issued a report on the federal leasing program in November 2021 that recommended various changes, including, among other things, enhancing bonding requirements and applying a more rigorous land-use planning process prior to leasing. The IRA responded, in part, to the report’s recommendations by increasing onshore royalty rates on all new federal leases. However, certain of the report’s recommendations require further Congressional actions, and we cannot predict to what extent, if any, the Department of the Interior may be able to promulgate rules implementing the remaining recommendations of the November 2021 report. While it is not possible at this time to predict the ultimate impact of these or any other future regulatory changes, any additional restrictions or burdens on our ability to operate on federal lands could adversely impact our business in the Delaware and Powder River Basins, as well as other areas where we operate under federal leases. As of December 31, 2022, less than 20% of our total leasehold resides on federal lands, which is primarily located in the Delaware and Powder River Basins.

*Hydraulic Fracturing* – Various federal agencies have asserted regulatory authority over certain aspects of the hydraulic fracturing process. For example, the EPA has issued regulations under the federal Clean Air Act establishing performance standards for oil and gas activities, including standards for the capture of air emissions released during hydraulic fracturing, and it previously finalized regulations that prohibit the discharge of wastewater from hydraulic fracturing operations to publicly owned wastewater treatment plants. Moreover, several state and local governments in areas in which we operate have adopted, or stated intentions to adopt, laws or regulations that mandate further restrictions on hydraulic fracturing, such as requiring disclosure of chemicals used in hydraulic fracturing, imposing more stringent permitting, disclosure and well-construction requirements on hydraulic fracturing operations and establishing standards for the capture of air emissions released during hydraulic fracturing. Beyond these regulatory efforts, various policy makers, regulatory agencies and political leaders at the federal, state and local levels have proposed implementing even further restrictions on hydraulic fracturing, including prohibiting the technology outright. Although it is not possible at this time to predict the outcome of these or other proposals, any new restrictions on hydraulic fracturing that may be imposed in areas in which we conduct business could potentially result in increased compliance costs, delays or cessation in development or other restrictions on our operations.

*Environmental Laws Generally* – In addition to regulatory efforts focused on hydraulic fracturing, we are subject to various other federal, state, tribal and local laws and regulations relating to discharge of materials into, and protection of, the environment. These laws and regulations may, among other things, impose liability on us for the cost of remediating pollution that results from our operations or prior operations on assets we have acquired. Environmental laws may impose strict, joint and several liability, and failure to comply with environmental laws and regulations can result in the imposition of administrative, civil or criminal fines and penalties, as well as injunctions limiting operations in affected areas. Any future environmental costs of fulfilling our commitments to the environment are uncertain and will be governed by several factors, including future changes to regulatory requirements. Any such changes could have a significant impact on our operations and profitability.

*Seismic Activity* – Earthquakes in southeastern New Mexico, western Texas, northern and central Oklahoma and elsewhere have prompted concerns about seismic activity and possible relationships with the oil and gas industry, particularly the disposal of wastewater in salt-water disposal wells. Legislative and regulatory initiatives intended to address these concerns may result in additional levels of regulation or other requirements that could lead to operational delays, increase our operating and compliance costs or otherwise adversely affect our operations. For example, New Mexico implemented protocols in November 2021 requiring operators to take various actions with respect to salt-water disposal wells within a specified proximity of certain seismic activity, including a requirement to limit injection rates if the seismic event is of a certain magnitude. Separately, the Railroad Commission of Texas has shown increasing regulatory focus on seismicity and the oil and gas industry in recent years, and has imposed limits on certain salt-water disposal well activities in portions of the Delaware and Midland Basins. These or similar actions directed at our operating areas could limit the takeaway capacity for produced water in the impacted area, which could increase our operating expense, require us to curtail our development plans or otherwise adversely impact our operations.

*Changes to Tax Laws* – We are subject to U.S. federal income tax as well as income or capital taxes in various state and foreign jurisdictions, and our operating cash flow is sensitive to the amount of income taxes we must pay. In the jurisdictions in which we operate or previously operated, income taxes are assessed on our earnings after consideration of all allowable deductions and credits. Changes in the types of earnings that are subject to income tax, the types of costs that are considered allowable deductions and the timing of such deductions, or the rates assessed on our taxable earnings would all impact our income taxes and resulting operating cash flow. In addition, the IRA includes various changes to the federal tax laws beginning in 2023, including (i) a new 15% corporate alternative minimum tax on “adjusted financial statement income” and (ii) a new 1% excise tax on stock repurchases. While we are still evaluating the full impact of this legislation, and await further guidance and clarifications from the U.S. Treasury, we expect incremental taxes attributable to these new tax provisions.

### ***Climate Change and Related Regulatory, Social and Market Actions May Adversely Affect Our Business***

Continuing and increasing political and social attention to the issue of climate change has resulted in legislative, regulatory and other initiatives, including international agreements, to reduce GHG emissions, such as carbon dioxide and methane. Policy makers and regulators at both the U.S. federal and state levels have already imposed, or stated intentions to impose, laws and regulations designed to quantify and limit the emission of GHG. For example, the EPA released rule proposals during 2021 and 2022 that if adopted would, among other things, (i) broaden methane and volatile organic compounds emission reduction requirements for certain oil and gas facilities, including a zero-emission standard for pneumatic controllers, and (ii) impose standards to eliminate venting of associated gas, and require capture and sale of gas where sale line is available, at new and existing oil wells. Moreover, the recently enacted IRA imposes a new charge or fee with respect to excess methane emissions from certain petroleum and natural gas facilities starting in 2024 and annually increasing through 2026. In addition to these federal efforts, several states where we operate, including New Mexico, Texas and Wyoming, have already imposed, or stated intentions to impose, laws or regulations designed to reduce methane emissions from oil and gas exploration and production activities, including by mandating new leak detection and retrofitting requirements.

Policy makers have also advocated for expanding existing, or creating new, reporting and disclosure requirements regarding GHG emissions and other climate-related matters. For example, the EPA proposed amendments in June 2022 to its Green House Gas Reporting Program, which would, among other things, add well blowouts and other abnormal events as new categories of sources for GHG emissions reporting. In addition, the SEC proposed rules in March 2022 that would require public companies to include extensive climate-related disclosures in their SEC filings. Among other things, the proposed SEC rules, if adopted as written, would mandate disclosures on (i) GHG emissions, including Scope 3 emissions if material or part of a company’s emissions goal, (ii) financial impact and expenditure metrics relating to severe weather and climate change and (iii) a company’s use of scenario analysis and climate targets. Although the SEC has not finalized these rules, we would expect to incur substantial additional compliance costs to the extent these or similar rules are adopted. We further anticipate the costs and other risks associated with any such disclosure requirements to be particularly heightened, given that reporting frameworks on GHG emissions and other climate-related metrics are still maturing and often require the use of numerous assumptions and judgments.

Additionally, public statements with respect to emissions reduction goals, environmental targets or, more broadly, ESG-related goals, are becoming increasingly subject to heightened scrutiny from public and governmental authorities with respect to the risk of potential “greenwashing,” i.e., misleading information or false claims overstating potential ESG benefits. For example, in March 2021, the SEC established the Climate and ESG Task Force in the Division of Enforcement to identify and address potential ESG-related misconduct, including greenwashing. Certain non-governmental organizations and other private actors have filed lawsuits under various securities and consumer protection laws alleging that certain ESG-statements were misleading, false, or otherwise deceptive. As a result, we may face increased litigation risks which could, in turn, lead to further negative sentiment against us and our industry.

With respect to more comprehensive regulation, policy makers and political leaders have made, or expressed support for, a variety of proposals, such as the development of cap-and-trade or carbon tax programs. In addition, President Biden has continued to highlight addressing climate change as a priority of his administration, and he previously released an energy plan calling for a number of sweeping changes to address climate change, including, among other measures, a national mobilization effort to achieve net-zero emissions for the U.S. economy by 2050, through increased use of renewable power, stricter fuel-efficiency standards and support for zero-emission vehicles. President Biden issued a number of executive orders in January 2021 with the purpose of implementing certain of these changes, including the rejoining of the Paris Agreement. President Biden subsequently announced a target of reducing economy-wide net GHG emissions in the U.S. by 50% to 52% below 2005 levels by 2030. At the international level, the United States and the European Union jointly announced the launch of a Global Methane Pledge at the 26th Conference of the Parties in 2021, pursuant to which over 130 participating countries have pledged to a collective goal of reducing global methane emissions by at least 30% from 2020 levels by 2030. Although the full impact of these actions is uncertain at this time, the adoption and implementation of these or other initiatives may result in the restriction or cancellation of oil and natural gas activities, greater costs of compliance or

consumption (thereby reducing demand for our products) or an impairment in our ability to continue our operations in an economic manner.

In addition to regulatory risk, other market and social initiatives relating to climate change present risks for our business. For example, in an effort to promote a lower-carbon economy, there are various public and private initiatives subsidizing or otherwise encouraging the development and adoption of alternative energy sources and technologies, including by mandating the use of specific fuels or technologies. These initiatives may reduce the competitiveness of carbon-based fuels, such as oil and gas. Moreover, an increasing number of financial institutions, funds and other sources of capital have begun restricting or eliminating their investment in oil and natural gas activities due to their concern regarding climate change. Such restrictions in capital could decrease the value of our business and make it more difficult to fund our operations. In addition, governmental entities and other plaintiffs have brought, and may continue to bring, claims against us and other oil and gas companies for purported damages caused by the alleged effects of climate change. The increasing attention to climate change may result in further claims or investigations against us, and heightened societal or political pressures may increase the possibility that liability could be imposed on us in such matters without regard to our causation of, or contribution to, the asserted damage or violation, or to other mitigating factors.

Finally, climate change may also result in various enhanced physical risks, such as an increased frequency or intensity of extreme weather events or changes in meteorological and hydrological patterns, that may adversely impact our operations. Such physical risks may result in damage to our facilities or otherwise adversely impact our operations, such as if we are subject to water use curtailments in response to drought, or demand for our products, such as to the extent warmer winters reduce demand for energy for heating purposes. These and the other risks discussed above could result in additional costs, new restrictions on our operations and reputational harm to us, as well as reduce the actual and forecasted demand for our products. These affects in turn could impair or lower the value of our assets, including by resulting in uneconomic or “stranded” assets, and otherwise adversely impact our profitability, liquidity and financial condition.

#### ***Price Controls, Export Restrictions and Other Governmental Interventions in Energy Markets May Adversely Impact our Business***

Domestic and foreign governmental bodies have from time to time intervened in energy markets by imposing price controls, restricting exports, limiting production or otherwise taking actions to impact the availability and price of oil, natural gas and NGLs. For instance, members of the European Union agreed to a price-cap framework in December 2022 for the trading of natural gas in response to rising energy costs in Europe. Similarly, during 2021 and 2022, President Biden authorized several releases from the U.S. Strategic Petroleum Reserve in an effort to lower domestic energy prices. Governments may take similar actions in the future, particularly in the event of disruption in energy markets or national emergency. Any such interventions could adversely impact our business, including by depressing the price of our production and generally introducing greater uncertainty to our operations.

#### **General and Other Risks Facing our Business**

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

The COVID-19 pandemic and related economic repercussions created significant volatility, uncertainty and turmoil in the oil and gas industry and the broader economy. The pandemic and the related responses of governmental authorities and others to limit the spread of the virus significantly reduced global economic activity, which resulted in an unprecedented decline in the demand for oil and other commodities during 2020, along with a corresponding deterioration in commodity prices. Moreover, the COVID-19 pandemic contributed to disruption and volatility in global supply chains that resulted in increased costs and delays for materials, and we and our service providers faced increased potential for business interruption and other operational risks due to changes of business practices and possible constraints in retaining sufficient personnel due to illness, quarantines, government actions or other restrictions in connection with the pandemic. Although commodity prices subsequently recovered after their decline in 2020, COVID-19, its variants or any other future pandemic could lead to similar protracted periods of depressed commodity prices or result in other significant adverse consequences to our business. Further, to the extent COVID-19 or any other pandemic adversely affects our business or the global economic conditions more generally, it may also have the effect of heightening many of the other risks described in this report.

##### ***The Credit Risk of Our Counterparties Could Adversely Affect Us***

We enter into a variety of transactions that expose us to counterparty credit risk. For example, we have exposure to financial institutions and insurance companies through our hedging arrangements, our Senior Credit Facility and our insurance policies. Disruptions in the financial markets or otherwise may impact these counterparties and affect their ability to fulfill their existing obligations and their willingness to enter into future transactions with us.

In addition, we are exposed to the risk of financial loss from trade, joint interest billing and other receivables. We sell our oil, gas and NGLs to a variety of purchasers, and, as an operator, we pay expenses and bill our non-operating partners for their respective share of costs. We also frequently look to buyers of oil and gas properties from us or our predecessors to perform certain obligations associated with the disposed assets, including the removal of production facilities and plugging and abandonment of wells. Certain of these counterparties or their successors may experience insolvency, liquidity problems or other issues and may not be able to meet their obligations and liabilities (including contingent liabilities) owed to, and assumed from, us, particularly during a depressed or volatile commodity price environment. Any such default may result in us being forced to cover the costs of those obligations and liabilities. Our business has been adversely impacted by counterparty defaults in the past, and we may experience similar defaults again in the future.

***Our Debt May Limit Our Liquidity and Financial Flexibility, and Any Downgrade of Our Credit Rating Could Adversely Impact Us***

As of December 31, 2022, we had total indebtedness of \$6.4 billion. Our indebtedness and other financial commitments have important consequences to our business, including, but not limited to:

- requiring us to dedicate a portion of our liquidity to debt service payments, thereby limiting our ability to fund working capital, capital expenditures, investments or acquisitions and other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions, including low commodity price environments; and
- limiting our ability to obtain additional financing due to higher costs and more restrictive covenants.

In addition, we receive credit ratings from rating agencies in the U.S. with respect to our debt. Factors that may impact our credit ratings include, among others, debt levels, planned asset sales and purchases, liquidity, size and scale of our production and commodity prices. Certain of our contractual obligations require us to provide letters of credit or other assurances. Any credit downgrades could adversely impact our ability to access financing and trade credit, require us to provide additional letters of credit or other assurances under contractual arrangements and increase our interest rate under the Senior Credit Facility as well as the cost of any other future debt.

***Cyberattacks May Adversely Impact Our Operations***

Our business has become increasingly dependent on digital technologies, and we anticipate expanding the use of these technologies in our operations, including through artificial intelligence, process automation and data analytics. Concurrent with the growing dependence on technology is a greater sensitivity to cyberattack related activities, which have increasingly targeted our industry. Perpetrators of cyberattacks often attempt to gain unauthorized access to digital systems for purposes of misappropriating confidential and proprietary information, intellectual property or financial assets, corrupting data or causing operational disruptions as well as preventing users from accessing systems or information for the purpose of demanding payment in order for users to regain access. In addition, our vendors (including third-party cloud and IT service providers), midstream providers and other business partners may separately suffer disruptions or breaches from cyberattacks, which, in turn, could adversely impact our operations and compromise our information. Moreover, we and other upstream companies rely on extensive oil and gas infrastructure and distribution systems to deliver our production to market, which in turn depend upon digital technologies. Any cyberattack directed at such infrastructure or systems could adversely impact our business and operations, including by limiting our ability to transport and market our production. Geopolitical instability may also increase our cybersecurity risk.

Although we have experienced cybersecurity incidents from time to time, none have had a material effect on our business, operations or reputation. However, our systems and procedures for protecting against such attacks and mitigating such risks may prove to be insufficient in the future due to system vulnerabilities, human error or malfeasance or other factors. Any such attacks could have an adverse impact on our business, operations or reputation and lead to remediation costs, litigation or regulatory actions. Moreover, as the sophistication and volume of cyberattacks continue to increase, we may be required to expend significant additional resources to further enhance our digital security or to remediate vulnerabilities, and we may face difficulties in fully anticipating or implementing adequate preventive measures or mitigating potential harm.

### ***Insurance Does Not Cover All Risks***

As discussed above, our business is hazardous and is subject to all of the operating risks normally associated with the exploration, development and production of oil, gas and NGLs. To mitigate financial losses resulting from these operational hazards, we maintain comprehensive general liability insurance, as well as insurance coverage against certain losses resulting from physical damages, loss of well control, business interruption and pollution events that are considered sudden and accidental. We also maintain workers' compensation and employer's liability insurance. However, our insurance coverage does not provide 100% reimbursement of potential losses resulting from these operational hazards. Additionally, we have limited or no insurance coverage for a variety of other risks, including pollution events that are considered gradual, war and political risks and fines or penalties assessed by governmental authorities. The occurrence of a significant event against which we are not fully insured could have an adverse effect on our profitability, financial condition and liquidity.

### ***Our Business Could Be Adversely Impacted by Shareholder Activism, Proxy Contests or Similar Actions***

In recent years, proxy contests and other forms of shareholder activism have been directed against numerous public companies. Investors may from time to time seek to involve themselves in the governance, strategic direction and operations of the Company, whether by stockholder proposals, public campaigns, proxy solicitations or otherwise. These actions may be prompted or exacerbated by unfavorable recommendations or ratings from proxy advisory firms or other third parties, including with respect to our performance (or the perception of our performance) under ESG metrics. Such actions could adversely impact our business by distracting our Board of Directors and employees from our long-term strategy, requiring us to incur increased advisory fees and related costs, interfering with our ability to successfully execute on core business operations and strategic transactions or plans and provoking perceived uncertainty about the future direction of our business. Such perceived uncertainty may, in turn, make it more difficult to retain employees and could result in significant fluctuation in the market price of our common stock.

### ***Our Acquisition and Divestiture Activities Involve Substantial Risks***

Our business depends, in part, on making acquisitions, including by merger and other similar transactions, that complement or expand our current business and successfully integrating any acquired assets or businesses. If we are unable to make attractive acquisitions, our future growth could be limited. Furthermore, even if we do make acquisitions, they may not result in an increase in our cash flow from operations or otherwise result in the benefits anticipated due to various risks, including, but not limited to:

- mistaken estimates or assumptions about reserves, potential drilling locations, revenues and costs, including synergies and the overall costs of equity or debt;
- difficulties in integrating the operations, technologies, products and personnel of the acquired assets or business; and
- unknown and unforeseen liabilities or other issues related to any acquisition for which contractual protections prove inadequate, including environmental liabilities and title defects.

In addition, from time to time, we may sell or otherwise dispose of certain of our properties or businesses as a result of an evaluation of our asset portfolio and to help enhance our liquidity. These transactions also have inherent risks, including possible delays in closing, the risk of lower-than-expected sales proceeds for the disposed assets or business and potential post-closing claims for indemnification. Moreover, volatility in commodity prices may result in fewer potential bidders, unsuccessful sales efforts and a higher risk that buyers may seek to terminate a transaction prior to closing.

### ***Our Ability to Declare and Pay Dividends and Repurchase Shares Is Subject to Certain Considerations***

Dividends, whether fixed or variable, and share repurchases are authorized and determined by our Board of Directors in its sole discretion and depend upon a number of factors, including the Company's financial results, cash requirements and future prospects, as well as such other factors deemed relevant by our Board of Directors. We can provide no assurance that we will continue to pay dividends or execute share repurchases at the current rate or at all. Any elimination of, or downward revision in, our dividend payout or share repurchase program could have an adverse effect on the market price of our common stock.

### ***Item 1B. Unresolved Staff Comments***

Not applicable.

**Item 3. Legal Proceedings**

We are involved in various legal proceedings incidental to our business. However, to our knowledge as of the date of this report and subject to the matters noted below, there were no material pending legal proceedings to which we are a party or to which any of our property is subject. For more information on our legal contingencies, see Note 20 in “Item 8. Financial Statements and Supplementary Data” of this report.

On April 7, 2020, WPX Energy, Inc., a wholly-owned subsidiary of the Company, received a notice of violation from the EPA relating to specific historical air emission events occurring on the Fort Berthold Indian Reservation in North Dakota. On July 22, 2022, we received an updated notice of violation from the EPA relating to the same underlying events. On June 4, 2021, we received a separate notice of violation from the EPA relating to alleged air permit violations by WPX Energy Permian, LLC, a wholly-owned subsidiary of the Company, during 2020 in western Texas. The Company has been engaging with the EPA to resolve each of these matters. Although these matters are ongoing and management cannot predict their ultimate outcome, the resolution of each of these matters may result in a fine or penalty in excess of \$300,000.

**Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

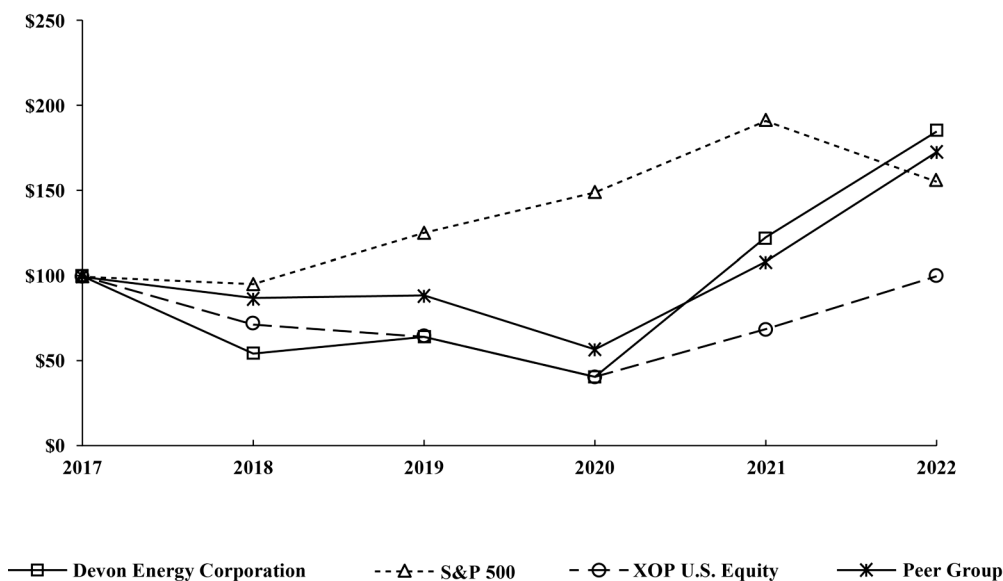
### Item 5. Market for Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is traded on the NYSE under the “DVN” ticker symbol. On February 1, 2023, there were 11,875 holders of record of our common stock. We began paying regular quarterly cash dividends in the second quarter of 1993. Following the closing of the Merger, Devon initiated a “fixed plus variable” dividend strategy. Under this strategy, Devon plans to pay, on a quarterly basis, a fixed dividend amount and, potentially, a variable dividend amount, if any, to its stockholders. The declaration and payment of any future dividend, whether fixed or variable, will remain at the full discretion of the Board of Directors and will depend on Devon’s financial results, cash requirements, future prospects and other factors deemed relevant by the Devon Board. In determining the amount of the quarterly fixed dividend, the Board expects to consider a number of factors, including Devon’s financial condition, the commodity price environment and a general target of paying out approximately 10% of operating cash flow through the fixed dividend. Any variable dividend amount will be determined on a quarterly basis and will equal up to 50% of “excess free cash flow,” which is a non-GAAP measure and is computed as operating cash flow (a GAAP measure) before balance sheet changes, less capital expenditures and the fixed dividend. A number of factors will be considered when determining if a variable dividend payment will be made. Devon expects that the most critical factors will consist of Devon’s financial condition, including its cash balances and leverage metrics, as well as the commodity price outlook. Additional information on our dividends can be found in Note 18 in “Item 8. Financial Statements and Supplementary Data” of this report.

### Performance Graph

The following graph compares the cumulative TSR over a five-year period on Devon’s common stock with the cumulative total returns of the S&P 500 Index, the SPDR Oil and Gas Exploration & Production ETF (“XOP U.S. Equity”) and a peer group of companies to which we compare our performance. Beginning in 2022, we replaced the peer groups with the XOP U.S. Equity Index due to recent industry consolidation causing consistent year over year changes. In 2021, the peer group included APA Corporation, ConocoPhillips, Coterra Energy Inc., Diamondback Energy, Inc., EOG Resources, Inc., Marathon Oil Corporation, Orintiv, Inc. and Pioneer Natural Resources Company. Continental Resources, Inc. was previously included in the 2021 peer group, but has been excluded as a result of going private in 2022. The graph was prepared assuming \$100 was invested on December 31, 2017 in Devon’s common stock, the S&P 500 Index, the XOP U.S. Equity Index and the 2021 peer group, and dividends have been reinvested subsequent to the initial investment.

#### COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN



The graph and related information should not be deemed “soliciting material” or to be “filed” with the SEC, nor should such information be incorporated by reference into any future filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate such information by reference into such a filing. The graph and information are included for historical comparative purposes only and should not be considered indicative of future stock performance.



## Issuer Purchases of Equity Securities

The following table provides information regarding purchases of our common stock that were made by us during the fourth quarter of 2022 (shares in thousands).

<u>Period</u>	<u>Total Number of Shares Purchased <sup>(1)</sup></u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs <sup>(2)</sup></u>	<u>Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup></u>
October 1 - October 31	370	\$ 72.48	368	\$ 723
November 1 - November 30	373	\$ 71.46	372	\$ 696
December 1 - December 31	62	\$ 68.27	62	\$ 692
Total	<u>805</u>	<u>\$ 71.68</u>	<u>802</u>	

- (1) In addition to shares purchased under the share repurchase program described below, these amounts also include approximately 3,000 shares received by us from employees for the payment of personal income tax withholding on vesting transactions.
- (2) On November 2, 2021, we announced a \$1.0 billion share repurchase program that would expire on December 31, 2022. On February 15, 2022, we announced the expansion of this program to \$1.6 billion, and in May 2022, authorized a further expansion to \$2.0 billion and extended the expiration date to May 4, 2023. In the fourth quarter of 2022, we repurchased 0.8 million common shares for \$58 million, or \$71.69 per share, under this share repurchase program. For additional information, see Note 18 in “Item 8. Financial Statements and Supplementary Data” of this report.

## Item 6. *[Reserved]*

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Introduction**

The following discussion and analysis presents management's perspective of our business, financial condition and overall performance. This information is intended to provide investors with an understanding of our past performance, current financial condition and outlook for the future and should be read in conjunction with "Item 8. Financial Statements and Supplementary Data" of this report.

The following discussion and analyses primarily focus on 2022 and 2021 items and year-to-year comparisons between 2022 and 2021. Discussions of 2020 items and year-to-year comparisons between 2021 and 2020 that are not included in this report can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our 2021 Annual Report on Form 10-K.

### **Executive Overview**

Looking across our 2021 and 2022 performance, the Merger has helped us become a leading unconventional oil producer in the U.S., with an asset base underpinned by premium acreage in the economic core of the Delaware Basin. This strategic combination accelerated our transition to a cash-return business model, including the implementation of a fixed plus variable dividend strategy. In the third quarter of 2022, we acquired additional producing properties and leasehold interests in both the Williston Basin and Eagle Ford that are complementary to our existing acreage, offer operational synergies and add high-quality inventory. Additionally, our diverse portfolio balances exposure to oil and natural gas prices with access to premium markets to improve realized pricing.

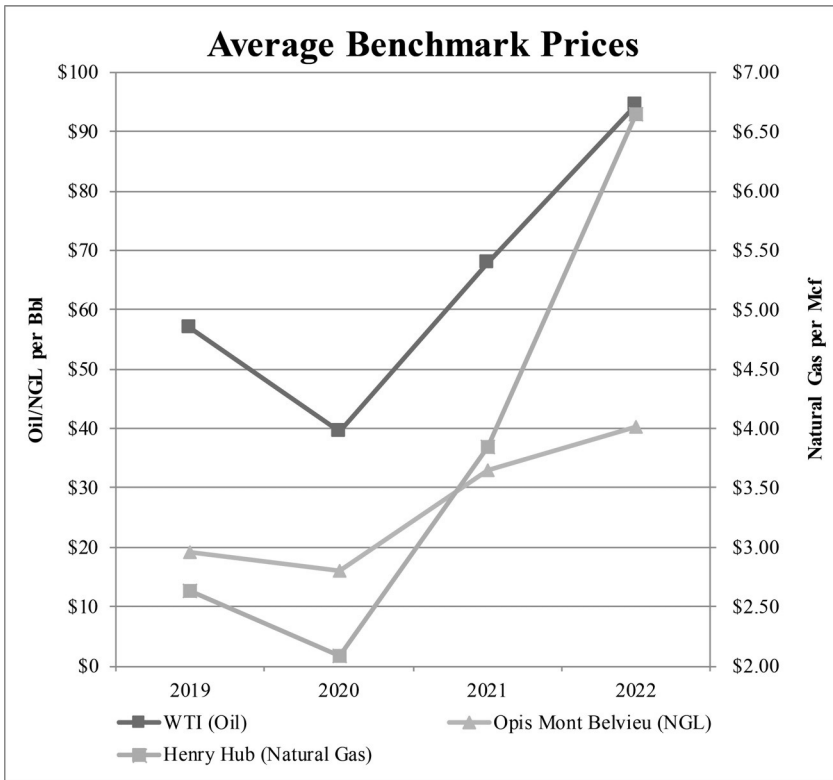
We remain focused on building economic value by executing on our strategic priorities of moderating production growth, emphasizing capital and operational efficiencies, optimizing reinvestment rates to maximize free cash flow, maintaining low leverage, delivering cash returns to our shareholders and pursuing ESG excellence. Our 2022 performance highlights for these priorities include the following items:

- Generated \$8.5 billion of operating cash flow in 2022, which is a 74% increase from the prior year.
- 2022 oil production averaged 299 MBbls/d, which is a 3% increase from the prior year.
- As of December 31, 2022, completed approximately 65% of our authorized \$2.0 billion share repurchase program, with 25.7 million of our common shares repurchased for \$1.3 billion, or \$50.90 per share, since inception of the plan.
- Exited 2022 with \$4.5 billion of liquidity, including \$1.5 billion of cash.
- Including variable dividends, paid dividends of approximately \$3.4 billion in 2022 and have declared \$579 million of dividends to be paid in the first quarter of 2023, which is inclusive of an 11% increase to our fixed quarterly dividend to \$0.20 per share.
- Invested approximately \$100 million in emissions reduction capital projects in 2022.

We remain committed to capital discipline and delivering the objectives that underpin our current plan. Those objectives prioritize value creation through moderated capital investment and production growth, particularly with a view of the volatility in commodity prices, supply chain constraints and the economic uncertainty arising from recent geopolitical events.

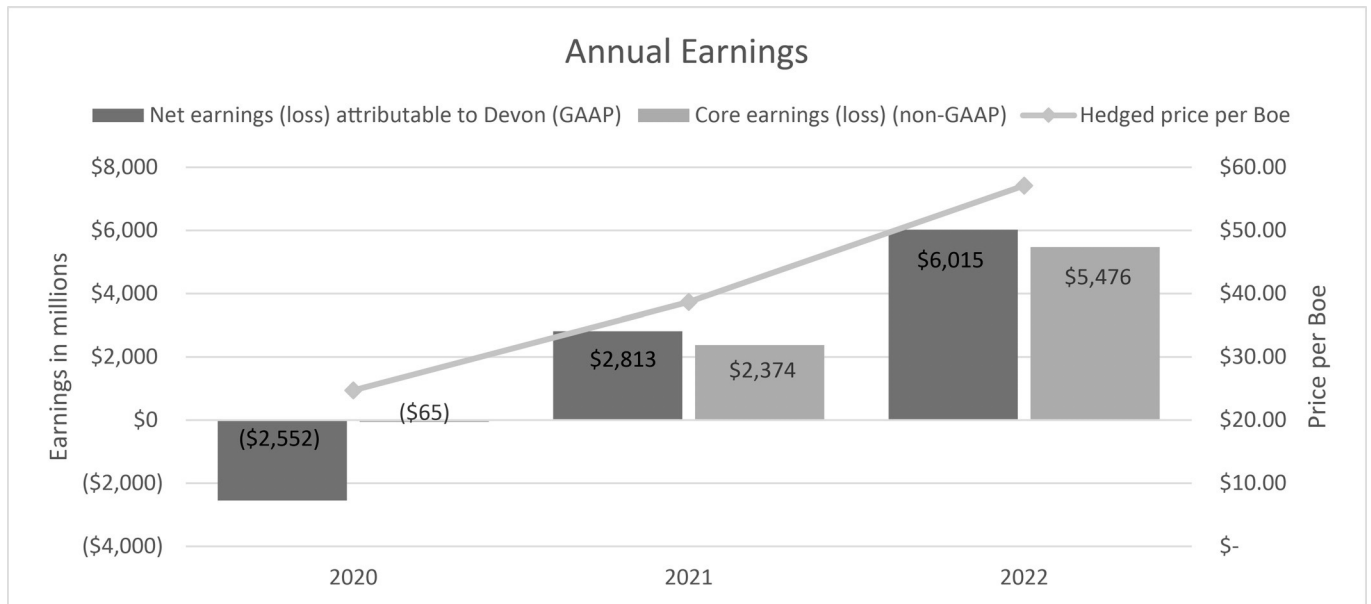
Commodity prices strengthened in 2021 and continued to strengthen throughout the majority of 2022, which has significantly improved our earnings and cash flow generation. The increase in commodity prices was primarily driven by increased demand resulting from the recovery from the COVID-19 pandemic. The military conflict between Russia and Ukraine and related economic sanctions imposed on Russia, as well as OPEC+ restraining production growth, further exacerbated supply shortages, causing oil

prices to increase even more throughout most of 2022. However, oil prices did begin to decline in the fourth quarter of 2022 due to economic uncertainty surrounding inflation and increased interest rates as well as certain geopolitical events.



As presented in the graph at the left, commodity prices are volatile and heavily influence our financial performance and trends. Over the last four years, NYMEX WTI oil and NYMEX Henry Hub gas prices ranged from average highs of \$94.39 per Bbl and \$6.65 per MMBtu, respectively, to average lows of \$39.59 per Bbl and \$2.08 per MMBtu, respectively.

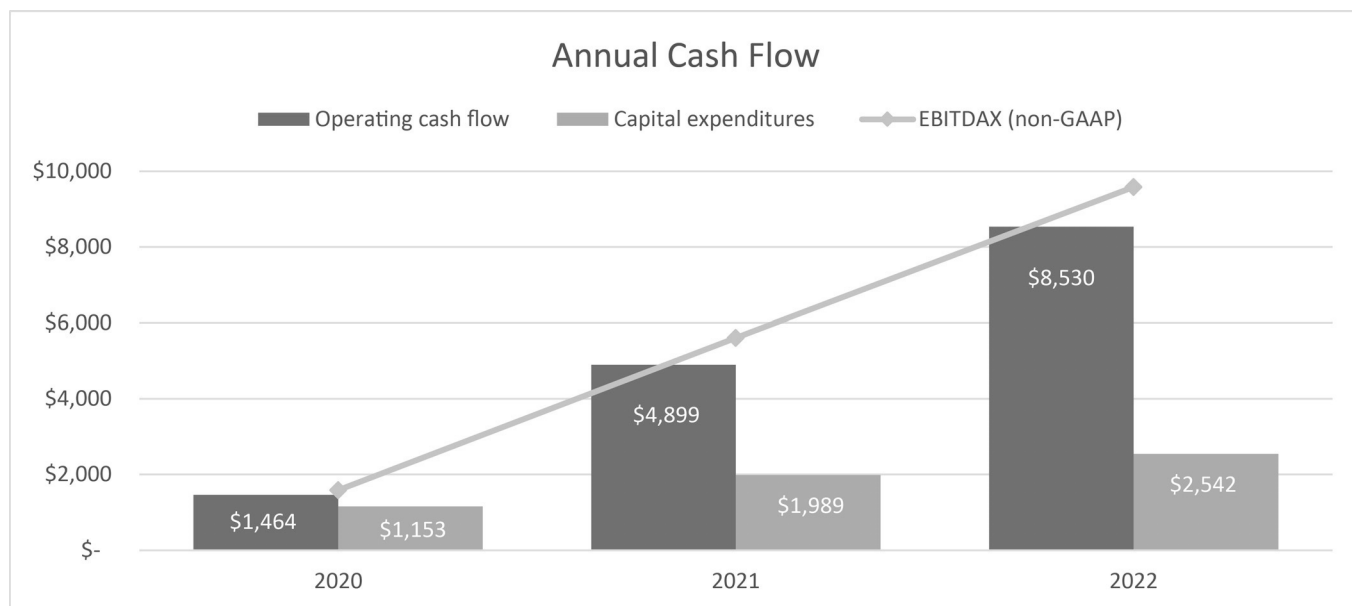
Trends of our annual earnings, operating cash flow, EBITDAX and capital expenditures are shown below. The annual earnings chart and cash flow chart present amounts pertaining to Devon’s continuing operations. “Core earnings” and “EBITDAX” are financial measures not prepared in accordance with GAAP. For a description of these measures, including reconciliations to the comparable GAAP measures, see “Non-GAAP Measures” in this Item 7.



Our earnings in 2020 were negatively impacted by lower commodity prices and deterioration of the macro-economic environment resulting from the unprecedented COVID-19 pandemic. Earnings improved significantly in 2021 due to commodity prices recovering from the initial COVID-19 pandemic as well as the Merger closing in January 2021. Earnings continued to improve during 2022 as commodity prices continued to strengthen and we executed on our strategic priorities as a company. Led by a 73% and

39% increase in Henry Hub and WTI from 2021 to 2022, respectively, our unhedged combined realized price rose 38%. Additionally, volumes increased 7% from 2021 to 2022 primarily due to the continued development of assets in the Delaware Basin and acquisitions in the Williston Basin and Eagle Ford that both closed in the third quarter of 2022.

Our net earnings in recent years have been significantly impacted by asset impairments and temporary, noncash adjustments to the value of our commodity hedges. Net earnings in both 2020 and 2021 included a \$0.1 billion hedge valuation loss, net of taxes and 2022 included a \$0.5 billion hedge valuation gain, net of taxes. Additionally, net earnings in 2020 included \$2.2 billion of asset impairments on our proved and unproved properties, net of taxes, due to reduced demand from the COVID-19 pandemic. Excluding these amounts, our core earnings have been more stable over recent years but continue to be heavily influenced by commodity prices.



Like earnings, our operating cash flow is sensitive to volatile commodity prices. We have continued to deliver strong cash flow and EBITDAX results primarily due to improved commodity prices and overall market conditions as well as strong operating performance.

We exited 2022 with \$4.5 billion of liquidity, comprised of \$1.5 billion of cash and \$3.0 billion of available credit under our Senior Credit Facility. We currently have \$6.4 billion of debt outstanding, of which approximately \$250 million is classified as short-term. We currently have approximately 25% and 20% of our oil and gas production hedged, respectively, for 2023. 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.

As commodity prices and our operating performance strengthen and bolster our financial condition, we have authorized opportunistic repurchases of up to \$2.0 billion of our common shares with an expiration date of May 4, 2023. We repurchased approximately 11.7 million shares during 2022 for approximately \$718 million, or \$61.36 per share. As of December 31, 2022, we have repurchased approximately 25.7 million shares for approximately \$1.3 billion, or \$50.90 per share, since the inception of the program. Additionally, we continue funding our fixed plus variable dividends, which totaled \$3.4 billion in 2022. We recently declared a dividend payable in the first quarter of 2023 for \$579 million, which includes an 11% increase to our fixed quarterly dividend to \$0.20 per share.

## Business and Industry Outlook

In 2022, Devon marked its 51st anniversary in the oil and gas business and its 34th year as a public company. The strength of our portfolio of assets, the success of our 2021 transformational merger with WPX and strong commodity prices led us to generate net earnings of \$6 billion in 2022, which was more than double that of 2021. Our portfolio was further strengthened in 2022 following the completion of two bolt-on acquisitions in the Williston Basin and Eagle Ford that were highly complementary to our existing positions in each basin. Both acquisitions were funded with cash on hand, and our balance sheet and financial position remains strong following the acquisitions. We remain committed to continuing our track record of industry leading return of capital to our shareholders, underpinned by low capital reinvestment rates and a disciplined, returns-driven strategy which is designed to be successful through economic cycles. In line with this strategy, we returned over \$4 billion of cash to shareholders through fixed and variable cash dividends and share repurchases in 2022.

In 2022, WTI oil prices averaged \$94.39 per Bbl versus \$67.86 per Bbl in 2021. Crude prices experienced significant improvement from the prior year, but volatility remained. Current market fundamentals indicate that even though the supply-demand

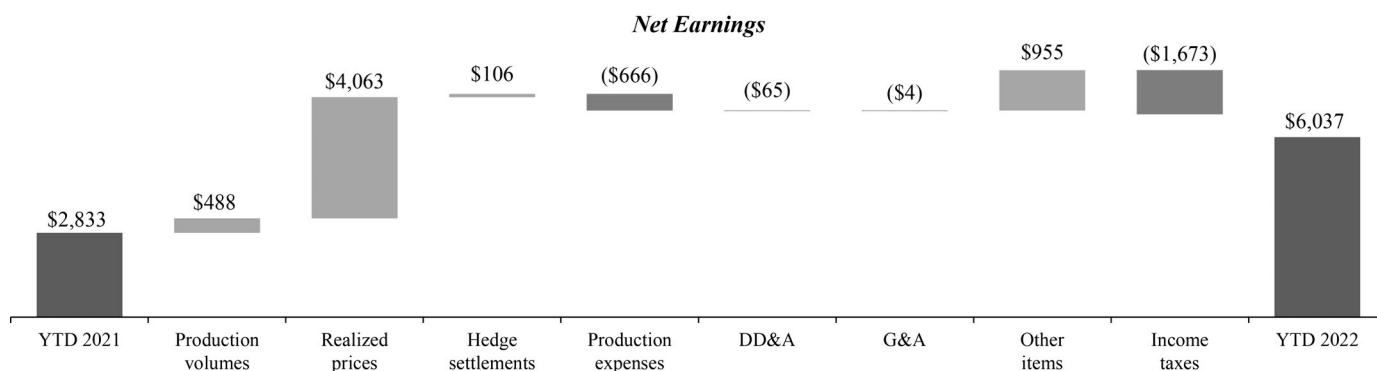
balance for commodities is expected to remain tight due to growing demand and continued discipline by oil producers, market prices for crude oil and natural gas are expected to be lower in 2023 due to ongoing recession fears driven by high inflation levels and rising interest rates. Additionally, commodity prices could remain volatile as uncertainty still exists from the impact of sanctioned Russian oil in the global market, as well as actions taken by OPEC+ countries in supporting a balanced global crude supply. Henry Hub natural gas prices continued to strengthen in 2022, averaging \$6.65 per Mcf compared to \$3.85 per Mcf in 2021. Natural gas prices rebounded in 2022 due to increased demand, continued capital discipline by producers, high LNG prices and infrastructure constraints. Looking forward to 2023, natural gas and NGL prices are expected to decline compared to 2022 due to limited LNG export capacity coming online, rising U.S. natural gas production and sufficient storage levels. Our 2023 cash flow is partly protected from commodity price volatility due to our current hedge position that covers approximately 25% of our anticipated oil volumes and 20% of our anticipated gas volumes. Further insulating our cash flow, we continue to examine and, when appropriate, execute attractive regional basis swap hedges to protect price realizations across our portfolio.

We expect to continue our capital-efficiency focus and our steadfast commitment to capital discipline with our 2023 capital program which is expected to maintain our oil production at similar levels as 2022, adjusted for acquisitions. To achieve our 2023 capital program objectives that maximize free cash flow, approximately 60% of our 2023 spend is expected to be allocated to our highest margin U.S. oil play, the Delaware Basin. We expect to continue to leverage the strengths of our multi-basin strategy and deploy the remainder of our 2023 capital in our other core areas of Eagle Ford, Anadarko Basin, Powder River Basin and Williston Basin. Our 2023 capital is expected to be higher than last year partly due to a full year of planned capital spend on assets acquired during 2022. Additionally, the estimated impact of inflation has also been accounted for in our 2023 capital and operating costs forecasts. The currently elevated level of cost inflation could erode our cost efficiencies gained over previous years and pressure our margin in 2023, particularly if commodity prices decline. Despite this, we expect to continue generating material amounts of free cash flow at current commodity price levels due to our strategy of spending within cash flow. We expect to mitigate the impact of cost inflation through efficiencies gained from the scale of our operations as well as by leveraging our long-standing relationships with our suppliers.

### Results of Operations

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

Our 2022 net earnings were \$6.0 billion, compared to net earnings of \$2.8 billion for 2021. The graph below shows the change in net earnings from 2021 to 2022. The material changes are further discussed by category on the following pages.



### Production Volumes

	2022	% of Total	2021	Change
<b>Oil (MBbls/d)</b>				
Delaware Basin	210	70%	197	7%
Anadarko Basin	14	5%	15	-3%
Williston Basin	33	11%	41	-20%
Eagle Ford	24	8%	18	33%
Powder River Basin	14	5%	15	-10%
Other	4	1%	4	-5%
<b>Total</b>	<b>299</b>	<b>100%</b>	<b>290</b>	<b>3%</b>

	2022	% of Total	2021	Change
<b>Gas (MMcf/d)</b>				
Delaware Basin	607	62%	535	13%
Anadarko Basin	221	23%	217	2%
Williston Basin	61	6%	58	4%
Eagle Ford	67	7%	58	15%
Powder River Basin	19	2%	20	-6%
Other	1	0%	2	-50%
Total	<u>976</u>	<u>100%</u>	<u>890</u>	<u>10%</u>
<b>NGLs (MBbls/d)</b>				
Delaware Basin	103	69%	87	18%
Anadarko Basin	25	17%	24	5%
Williston Basin	9	6%	9	-5%
Eagle Ford	10	6%	9	11%
Powder River Basin	2	2%	3	-9%
Other	—	0%	1	N/M
Total	<u>149</u>	<u>100%</u>	<u>133</u>	<u>12%</u>
<b>Combined (MBoe/d)</b>				
Delaware Basin	414	68%	374	11%
Anadarko Basin	76	13%	75	1%
Williston Basin	51	8%	60	-14%
Eagle Ford	45	7%	37	23%
Powder River Basin	19	3%	21	-9%
Other	5	1%	5	-1%
Total	<u>610</u>	<u>100%</u>	<u>572</u>	<u>7%</u>

From 2021 to 2022, the change in volumes contributed to a \$488 million increase in earnings. The increase in volumes was primarily due to continued development in the Delaware Basin and acquisitions in the Williston Basin and Eagle Ford that both closed in the third quarter of 2022. These increases were partially offset by natural declines in legacy Williston Basin assets and the Power River Basin.

### **Realized Prices**

	2022	Realization	2021	Change
<b>Oil (per Bbl)</b>				
WTI index	\$ 94.39		\$ 67.86	39%
Realized price, unhedged	\$ 94.11	100%	\$ 65.98	43%
Cash settlements	\$ (9.38)		\$ (11.60)	
Realized price, with hedges	<u>\$ 84.73</u>	90%	<u>\$ 54.38</u>	56%
<b>Gas (per Mcf)</b>				
Henry Hub index	\$ 6.65		\$ 3.85	73%
Realized price, unhedged	\$ 5.47	82%	\$ 3.40	61%
Cash settlements	\$ (0.93)		\$ (0.66)	
Realized price, with hedges	<u>\$ 4.54</u>	68%	<u>\$ 2.74</u>	66%
<b>NGLs (per Bbl)</b>				
WTI index	\$ 94.39		\$ 67.86	39%
Realized price, unhedged	\$ 34.18	36%	\$ 29.52	16%
Cash settlements	\$ —		\$ (0.38)	
Realized price, with hedges	<u>\$ 34.18</u>	36%	<u>\$ 29.14</u>	17%

	<u>2022</u>	<u>2021</u>	<u>Change</u>
<b>Combined (per Boe)</b>			
Realized price, unhedged	\$ 63.20	\$ 45.68	38%
Cash settlements	\$ (6.08)	\$ (7.01)	
Realized price, with hedges	<u>\$ 57.12</u>	<u>\$ 38.67</u>	48%

From 2021 to 2022, realized prices contributed to a \$4.1 billion increase in earnings. Unhedged realized oil, gas and NGL prices increased primarily due to higher WTI, Henry Hub and Mont Belvieu index prices. The increase in index prices was partially offset by hedge cash settlements related to oil and gas commodities.

### ***Hedge Settlements***

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Oil	\$ (1,025)	\$ (1,230)	17%
Natural gas	(331)	(213)	-55%
NGL	—	(19)	100%
Total cash settlements <sup>(1)</sup>	<u>\$ (1,356)</u>	<u>\$ (1,462)</u>	7%

(1) Included as a component of oil, gas and NGL derivatives on the consolidated statements of comprehensive earnings.

Cash settlements as presented in the tables above represent realized gains or losses related to the instruments described in Note 3 in “Item 8. Financial Statements and Supplementary Data” of this report.

### ***Production Expenses***

	<u>2022</u>	<u>2021</u>	<u>Change</u>
LOE	\$ 1,071	\$ 859	25%
Gathering, processing & transportation	693	606	14%
Production taxes	954	633	51%
Property taxes	79	33	139%
Total	<u>\$ 2,797</u>	<u>\$ 2,131</u>	31%
Per Boe:			
LOE	\$ 4.81	\$ 4.12	17%
Gathering, processing & transportation	\$ 3.11	\$ 2.91	7%
Percent of oil, gas and NGL sales:			
Production taxes	6.8%	6.6%	2%

LOE and gathering, processing and transportation expenses increased primarily due to inflation and higher volumes resulting from increased activity and acquisitions in the Williston Basin and Eagle Ford. Production and property taxes also increased due to higher commodity prices.

### ***Field-Level Cash Margin***

The table below presents the field-level cash margin for each of our operating areas. Field-level cash margin is computed as oil, gas and NGL revenues less production expenses and is not prepared in accordance with GAAP. A reconciliation to the comparable GAAP measures is found in “Non-GAAP Measures” in this Item 7. The changes in production volumes, realized prices and production expenses, shown above, had the following impacts on our field-level cash margins by asset.

	<u>2022</u>	<u>\$ per BOE</u>	<u>2021</u>	<u>\$ per BOE</u>
<b>Field-level cash margin (Non-GAAP)</b>				
Delaware Basin	\$ 8,074	\$ 53.39	\$ 5,183	\$ 37.98
Anadarko Basin	968	\$ 35.00	616	\$ 22.46
Williston Basin	867	\$ 46.28	759	\$ 34.79
Eagle Ford	870	\$ 52.68	474	\$ 35.33
Powder River Basin	401	\$ 57.39	290	\$ 37.83
Other	105	\$ 62.58	78	\$ 42.00
Total	<u>\$ 11,285</u>	<u>\$ 50.65</u>	<u>\$ 7,400</u>	<u>\$ 35.47</u>

## DD&A

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Oil and gas per Boe	\$ 9.52	\$ 9.83	-3%
Oil and gas	\$ 2,119	\$ 2,050	3%
Other property and equipment	104	108	-4%
Total	<u>\$ 2,223</u>	<u>\$ 2,158</u>	3%

DD&A increased in 2022 primarily due to higher volumes which was partially offset by lower DD&A rates. The decrease in DD&A rates was primarily due to an increase in oil, gas and NGL reserve estimates at December 31, 2021, resulting from higher prices.

## General and Administrative Expense

	<u>2022</u>	<u>2021</u>	<u>Change</u>
G&A per Boe	\$ 1.77	\$ 1.88	-6%
Labor and benefits	\$ 229	\$ 255	-10%
Non-labor	166	136	22%
Total	<u>\$ 395</u>	<u>\$ 391</u>	1%

## Other Items

	<u>2022</u>	<u>2021</u>	<u>Change in earnings</u>
Commodity hedge valuation changes <sup>(1)</sup>	\$ 698	\$ (82)	\$ 780
Marketing and midstream operations	(35)	(19)	(16)
Exploration expenses	29	14	(15)
Asset dispositions	(44)	(168)	(124)
Net financing costs	309	329	20
Restructuring and transaction costs	—	258	258
Other, net	(95)	(43)	52
			<u>\$ 955</u>

(1) Included as a component of oil, gas and NGL derivatives on the consolidated statements of comprehensive earnings.

We recognize fair value changes on our oil, gas and NGL derivative instruments in each reporting period. The changes in fair value resulted from new positions and settlements that occurred during each period, as well as the relationship between contract prices and the associated forward curves.

In 2022, asset dispositions include \$42 million related to the re-valuation of contingent earnout payments associated with divested Barnett Shale assets. 2021 asset dispositions include \$110 million related to the re-valuation of contingent earnout payments associated with divested Barnett Shale assets as well as \$39 million related to the sale of non-core assets in the Rockies. For additional information, see Note 2 in “Item 8. Financial Statements and Supplementary Data” of this report.

Net financing costs decreased due to debt retirements in 2021 which was partially offset by a \$30 million gain associated with those retirements. Additionally, net financing costs also decreased in 2022 due to an increase in interest income resulting from an increase in interest rates. For additional information, see Note 14 in “Item 8. Financial Statements and Supplementary Data” of this report.

Restructuring and transaction costs in 2021 reflect workforce reductions in conjunction with the Merger, as well as various transaction costs related to the Merger. For additional information, see Note 6 in “Item 8. Financial Statements and Supplementary Data” of this report.

For discussion on other, net, see Note 7 in “Item 8. Financial Statements and Supplementary Data” of this report.



## *Income Taxes*

	<u>2022</u>	<u>2021</u>
Current expense	\$ 559	\$ 16
Deferred expense	1,179	49
Total expense	\$ 1,738	\$ 65
Current tax rate	7%	0%
Deferred tax rate	15%	2%
Effective income tax rate	<u>22%</u>	<u>2%</u>

For discussion on income taxes, see Note 8 in “Item 8. Financial Statements and Supplementary Data” of this report. In 2023, our total effective income tax rate is expected to remain relatively consistent with that for 2022. However, due to reduced net operating loss carryforwards and potential effects from the IRA, our current income tax rate could increase noticeably in 2023. While our 2022 current income tax rate was 7%, we expect our 2023 current income tax rate could approach the mid-teens, depending on commodity prices among other factors.

## Capital Resources, Uses and Liquidity

### Sources and Uses of Cash

The following table presents the major changes in cash and cash equivalents for the time periods presented below.

	Year Ended December 31,	
	2022	2021
Operating cash flow	\$ 8,530	\$ 4,899
WPX acquired cash	—	344
Acquisitions of property and equipment	(2,583)	(18)
Divestitures of property and equipment	39	79
Capital expenditures	(2,542)	(1,989)
Investment activity, net	(37)	10
Debt activity, net	—	(1,302)
Repurchases of common stock	(718)	(589)
Common stock dividends	(3,379)	(1,315)
Noncontrolling interest activity, net	(30)	(41)
Other	(97)	(44)
Net change in cash, cash equivalents and restricted cash	\$ (817)	\$ 34
Cash, cash equivalents and restricted cash at end of period	\$ 1,454	\$ 2,271

### Operating Cash Flow and WPX Acquired Cash

As presented in the table above, net cash provided by operating activities continued to be a significant source of capital and liquidity. Operating cash flow increased 74% during 2022 compared to 2021. The increase was primarily due to significantly increased commodity prices as well as higher volumes for 2022 compared to 2021.

### Acquisitions of Property and Equipment

During 2022, we paid \$2.6 billion toward acquisitions of producing properties and leasehold interests located in the Eagle Ford and Williston Basin, which were completed in the third quarter of 2022. For additional information, please see Note 2 in “Part II. Item 8. Financial Statements and Supplementary Data” in this report.

### Divestitures of Property and Equipment

During 2022 we received contingent earnout payments related to assets previously sold. For additional information, please see Note 2 in “Part II. Item 8. Financial Statements and Supplementary Data” in this report.

During 2021, we sold non-core U.S. upstream assets for approximately \$79 million.

### Capital Expenditures

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

	Year Ended December 31,	
	2022	2021
Delaware Basin	\$ 1,678	\$ 1,535
Anadarko Basin	157	53
Williston Basin	158	77
Eagle Ford	229	122
Powder River Basin	149	73
Other	9	3
Total oil and gas	2,380	1,863
Midstream	92	64
Other	70	62
Total capital expenditures	\$ 2,542	\$ 1,989

Capital expenditures consist primarily of amounts related to our oil and gas exploration and development operations, midstream operations and other corporate activities. Our capital investment program is driven by a disciplined allocation process focused on moderating our production growth and maximizing our returns. As such, our capital expenditures for 2022 represent approximately 30% of our operating cash flow.

#### *Investment Activity*

During 2022 and 2021, Devon received distributions from our investments of \$39 million and \$35 million, respectively. Devon contributed \$76 million and \$25 million to our investments during 2022 and 2021, respectively. The 2022 contributions primarily related to our investment in Matterhorn.

#### *Debt Activity*

Subsequent to the Merger closing, we redeemed \$1.2 billion of senior notes in 2021. We also paid \$59 million of cash retirement costs related to these redemptions.

#### *Repurchases of Common Stock and Shareholder Distributions*

We repurchased 11.7 million shares of common stock for \$718 million in 2022 and 14 million shares of common stock for \$589 million in 2021 under share repurchase programs authorized by our Board of Directors. For additional information, see Note 18 in “Item 8. Financial Statements and Supplementary Data” in this report.

The following table summarizes our common stock dividends in 2022 and 2021. In February 2022, our Board of Directors increased our fixed dividend rate by 45% to \$0.16 per share and again by 13% to \$0.18 per share beginning in the third quarter of 2022. In addition to the fixed quarterly dividend, we paid a variable dividend in each quarter of 2022 and 2021. For additional information, see Note 18 in “Item 8. Financial Statements and Supplementary Data” of this report.

	<u>Fixed</u>	<u>Variable</u>	<u>Total</u>	<u>Rate Per Share</u>
2022:				
First quarter	\$ 109	\$ 558	\$ 667	\$ 1.00
Second quarter	105	725	830	\$ 1.27
Third quarter	117	890	1,007	\$ 1.55
Fourth quarter	117	758	875	\$ 1.35
Total year-to-date	<u>\$ 448</u>	<u>\$ 2,931</u>	<u>\$ 3,379</u>	
2021:				
First quarter	\$ 76	\$ 127	\$ 203	\$ 0.30
Second quarter	75	154	229	\$ 0.34
Third quarter	74	255	329	\$ 0.49
Fourth quarter	73	481	554	\$ 0.84
Total year-to-date	<u>\$ 298</u>	<u>\$ 1,017</u>	<u>\$ 1,315</u>	

#### *Noncontrolling Interest Activity*

During 2021, we received \$4 million of contributions from our noncontrolling interests (primarily in CDM). During 2022 and 2021, we distributed \$30 million and \$21 million, respectively, to our noncontrolling interests in CDM. In the first quarter of 2021, we paid \$24 million to purchase the noncontrolling interest portion of a partnership that WPX had formed to acquire minerals in the Delaware Basin.

#### *Liquidity*

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

Historically, our primary sources of capital funding and liquidity have been our operating cash flow, cash on hand and asset divestiture proceeds. Additionally, we maintain a commercial paper program, supported by our revolving line of credit, which can be accessed as needed to supplement operating cash flow and cash balances. If needed, we can also issue debt and equity securities, including through transactions under our shelf registration statement filed with the SEC. We estimate the combination of our sources of capital will continue to be adequate to fund our planned capital requirements, as discussed in this section, as well as execute our cash-return business model.

#### *Operating Cash Flow*

Key inputs into determining our planned capital investment is the amount of cash we hold and operating cash flow we expect to generate over the next one to three or more years. At the end of 2022, we held approximately \$1.5 billion of cash. Our operating cash flow forecasts are sensitive to many variables and include a measure of uncertainty as actual results may differ from our expectations.

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

To mitigate some of the risk inherent in prices, we utilize various derivative financial instruments to protect a portion of our production against downside price risk. The key terms to our oil, gas and NGL derivative financial instruments as of December 31, 2022 are presented in Note 3 in “Item 8. Financial Statements and Supplementary Data” of this report.

Further, when considering the current commodity price environment and our current hedge position, we expect to achieve our capital investment priorities. Additionally, we remain committed to capital discipline and focused on delivering the objectives that underpin our capital plan for 2023. The currently elevated level of cost inflation could erode our cost efficiencies gained over previous

years and pressure our margin in 2023. Despite this, we expect to continue generating material amounts of free cash flow at current commodity price levels due to our strategy of spending within cash flow.

*Operating Expenses* – Commodity prices can also affect our operating cash flow through an indirect effect on operating expenses. Significant commodity price decreases can lead to a decrease in drilling and development activities. As a result, the demand and cost for people, services, equipment and materials may also decrease, causing a positive impact on our cash flow as the prices paid for services and equipment decline. However, the inverse is also generally true during periods of rising commodity prices, which is what we experienced in 2022 and 2021. Furthermore, the COVID-19 pandemic has contributed to disruption and volatility in our supply chain, which has resulted, and may continue to result, in labor shortages, increased costs and delays for pipe and other materials needed for our operations as well as increased costs due to inflation. We expect to mitigate the impact of cost inflation through efficiencies gained from the scale of our operations as well as by leveraging our long-standing relationships with our suppliers.

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

### *Credit Availability*

We have \$3.0 billion of available borrowing capacity under our Senior Credit Facility at December 31, 2022. The Senior Credit Facility matures on October 5, 2024, with the option to extend the maturity date by two additional one-year periods subject to lender consent. Subsequent to October 5, 2023, the borrowing capacity decreases to \$2.8 billion. The Senior Credit Facility supports our \$3.0 billion of short-term credit under our commercial paper program. As of December 31, 2022, there were no borrowings under our commercial paper program. See Note 14 in “Item 8. Financial Statements and Supplementary Data” of this report for further discussion.

The Senior Credit Facility contains only one material financial covenant. This covenant requires us to maintain a ratio of total funded debt to total capitalization, as defined in the credit agreement, of no more than 65%. As of December 31, 2022, we were in compliance with this covenant with a 23% debt-to-capitalization ratio.

Our access to funds from the Senior Credit Facility is not subject to a specific funding condition requiring the absence of a “material adverse effect”. It is not uncommon for credit agreements to include such provisions. In general, these provisions can remove the obligation of the banks to fund the credit line if any condition or event would reasonably be expected to have a material and adverse effect on the borrower’s financial condition, operations, properties or business considered as a whole, the borrower’s ability to make timely debt payments or the enforceability of material terms of the credit agreement. While our credit agreement includes provisions qualified by material adverse effect as well as a covenant that requires us to report a condition or event having a material adverse effect, the obligation of the banks to fund the Senior Credit Facility is not conditioned on the absence of a material adverse effect.

As market conditions warrant and subject to our contractual restrictions, liquidity position and other factors, we may from time to time seek to repurchase or retire our outstanding debt through cash purchases and/or exchanges for other debt or equity securities in open market transactions, privately negotiated transactions, by tender offer or otherwise. Any such cash repurchases by us may be funded by cash on hand or incurring new debt. The amounts involved in any such transactions, individually or in the aggregate, may be material. Furthermore, any such repurchases or exchanges may result in our acquiring and retiring a substantial amount of such indebtedness, which would impact the trading liquidity of such indebtedness.

### *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 size and scale of our production. 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 Baa2 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 contractual debt obligations that would accelerate scheduled maturities should our debt rating fall below a specified level. However, a downgrade could adversely impact our interest rate on any credit facility borrowings and the ability to economically access debt markets in the future.

#### *Fixed Plus Variable Dividend*

We are committed to a “fixed plus variable” dividend strategy. Our Board of Directors will consider a number of factors when setting the quarterly dividend, if any, including a general target of paying out approximately 10% of operating cash flow through the fixed dividend. Our Board of Directors increased our quarterly fixed dividend rate by 45% to \$0.16 per share in February 2022 and again by 13% to \$0.18 per share beginning in August 2022. In addition to the fixed quarterly dividend, we may pay a variable dividend up to 50% of our excess free cash flow, which is a non-GAAP measure. Each quarter’s excess free cash flow is computed as operating cash flow (a GAAP measure) before balance sheet changes, less capital expenditures and the fixed dividend. The declaration and payment of any future dividend, whether fixed or variable, will remain at the full discretion of our Board of Directors and will depend on our financial results, cash requirements, future prospects and other factors deemed relevant by the Board.

In February 2023, Devon announced a cash dividend in the amount of \$0.89 per share payable in the first quarter of 2023. The dividend consists of a fixed quarterly dividend in the amount of \$130 million (or \$0.20 per share) and a variable dividend in the amount of approximately \$449 million (or \$0.69 per share).

#### *Share Repurchase Program*

Our Board of Directors has authorized a \$2.0 billion share repurchase program that expires on May 4, 2023. Through February 10, 2023, we had executed \$1.3 billion of the authorized program.

#### *Capital Expenditures*

Our 2023 capital expenditure budget is expected to be approximately \$3.6 billion to \$3.8 billion, which is approximately 35% higher than our 2022 capital expenditures. The anticipated increase in capital spending is driven by a full year of planned capital spend on assets acquired in 2022 and general inflation trends.

#### *Contractual Obligations*

As of December 31, 2022, our material contractual obligations include debt, interest expense, asset retirement obligations, lease obligations, retained obligations related to our divested Canadian business, operational agreements, drilling and facility obligations and various tax obligations. As discussed above, we estimate the combination of our sources of capital will continue to be adequate to fund our short- and long-term contractual obligations. See Notes 6, 8, 14, 15, 16 and 20 in “Item 8. Financial Statements and Supplementary Data” of this report for further discussion.

### **Contingencies and Legal Matters**

For a detailed discussion of contingencies and legal matters, see Note 20 in “Item 8. Financial Statements and Supplementary Data” of this report.

### **Critical Accounting Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires us to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from these estimates, and changes in these estimates are recorded when known. We consider the following to be our most critical accounting estimates that involve judgment and have reviewed these critical accounting estimates with the Audit Committee of our Board of Directors.

## ***Oil and Gas Assets Accounting, Classification, Reserves & Valuation***

### *Successful Efforts Method of Accounting and Classification*

We utilize the successful efforts method of accounting for our oil and natural gas exploration and development activities which requires management's assessment of the proper designation of wells and associated costs as developmental or exploratory. This classification assessment is dependent on the determination and existence of proved reserves, which is a critical estimate discussed in the section below. The classification of developmental and exploratory costs has a direct impact on the amount of costs we initially recognize as exploration expense or capitalize, then subject to DD&A calculations and impairment assessments and valuations.

Once a well is drilled, the determination that proved reserves have been discovered may take considerable time and requires both judgment and application of industry experience. Development wells are always capitalized. Costs associated with drilling an exploratory well are initially capitalized, or suspended, pending a determination as to whether proved reserves have been found. At the end of each quarter, management reviews the status of all suspended exploratory drilling costs to determine whether the costs should continue to remain capitalized or shall be expensed. When making this determination, management considers current activities, near-term plans for additional exploratory or appraisal drilling and the likelihood of reaching a development program. If management determines future development activities and the determination of proved reserves are unlikely to occur, the associated suspended exploratory well costs are recorded as dry hole expense and reported in exploration expense in the consolidated statements of comprehensive earnings. Otherwise, the costs of exploratory wells remain capitalized. At December 31, 2022, all suspended well costs have been suspended for less than one year.

Similar to the evaluation of suspended exploratory well costs, costs for undeveloped leasehold, for which reserves have not been proven, must also be evaluated for continued capitalization or impairment. At the end of each quarter, management assesses undeveloped leasehold costs for impairment by considering future drilling plans, drilling activity results, commodity price outlooks, planned future sales or expiration of all or a portion of such projects. At December 31, 2022, Devon had approximately \$777 million of undeveloped leasehold costs. Of the remaining undeveloped leasehold costs at December 31, 2022, none is scheduled to expire in 2023.

### *Reserves*

Our estimates of proved and proved developed reserves are a major component of DD&A calculations. Additionally, our proved reserves represent the element of these calculations that require the most subjective judgments. Estimates of reserves are forecasts based on engineering data, projected future rates of production and the timing of future expenditures. The process of estimating oil, gas and NGL reserves requires substantial judgment, resulting in imprecise determinations, particularly for new discoveries. Different reserve engineers may make different estimates of reserve quantities based on the same data. Our engineers prepare our reserve estimates. We then subject certain of our reserve estimates to audits performed by a third-party petroleum consulting firm. In 2022, 89% of our proved reserves were subjected to such an audit.

The passage of time provides additional information which may result in revisions to previous estimates to reflect updated information. In the past five years, annual revisions other than price to our proved reserve estimates, which have been both increases and decreases in individual years, have averaged approximately 5% of the previous year's estimate. However, there can be no assurance that more significant revisions will not be necessary in the future. For example, revisions may be driven broadly by economic factors such as significant changes in operating costs, or they may be more focused such as in a given area or reservoir. The data for a given reservoir may change substantially over time as a result of numerous factors, including, but not limited to, additional development activity, evolving production history and continual reassessment of the viability of production under varying economic conditions.

### *Valuation of Long-Lived Assets*

Long-lived assets used in operations, including proved and unproved oil and gas properties, are depreciated and assessed for impairment annually or whenever changes in facts and circumstances indicate a possible significant deterioration in future cash flows is expected to be generated by an asset group. For DD&A calculations and impairment assessments, management groups individual assets based on a judgmental assessment of the lowest level ("common operating field") for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. The determination of common operating fields is largely based on geological structural features or stratigraphic condition, which requires judgment. Management also considers the nature of production, common infrastructure, common sales points, common processing plants, common regulation and management oversight to make common operating field determinations. These determinations impact the amount of DD&A recognized each period and could impact the determination and measurement of a potential asset impairment.

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

Besides the risk-adjusted estimates of reserves and future production volumes, future commodity prices are the largest driver in the variability of undiscounted pre-tax cash flows. For our impairment determinations, we utilize NYMEX forward strip prices and incorporate internally generated price forecasts along with price forecasts published by reputable investment banks and reservoir engineering firms to estimate our future revenues.

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

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

As a result of the impairments recognized in 2020 and the significant increases in commodity prices during 2021 which sustained through 2022, none of our oil and gas assets were at risk of impairment as of December 31, 2022.

### ***Income Taxes***

The amount of income taxes recorded requires interpretations of complex rules and regulations of federal, state, provincial and foreign tax jurisdictions. We recognize current tax expense based on estimated taxable income for the current period and the applicable statutory tax rates. We routinely assess potential uncertain tax positions and, if required, estimate and establish accruals for such amounts. We have recognized deferred tax assets and liabilities for temporary differences, operating losses and other tax carryforwards. We routinely assess our deferred tax assets and reduce such assets by a valuation allowance if we deem it is more likely than not that some portion or all of the deferred tax assets will not be realized. Due to significant increases in commodity pricing and projections of future income, in the fourth quarter of 2021, Devon reassessed its evaluation of the realizability of deferred tax assets in future years and determined that a U.S. federal valuation allowance was no longer necessary. As such, Devon removed its remaining U.S. federal valuation allowance.

Further, in the event we were to undergo an “ownership change” (as defined in Section 382 of the Internal Revenue Code of 1986, as amended), our ability to use net operating losses and tax credits generated prior to the ownership change may be limited. Generally, an “ownership change” occurs if one or more shareholders, each of whom owns five percent or more in value of a corporation’s stock, increase their aggregate percentage ownership by more than 50% over the lowest percentage of stock owned by those shareholders at any time during the preceding three-year period. Based on currently available information, we do not believe an ownership change occurred during 2022 for Devon, but the Merger did cause an ownership change for WPX and increased the likelihood Devon could experience an ownership change over the next year. See Note 8 in “Item 8. Financial Statements and Supplementary Data” in this report for further discussion regarding our net operating losses and tax credits available to be carried forward and used in future years. Devon continues to maintain valuation allowances for certain state and foreign deferred tax assets.

On August 16, 2022, the IRA was signed into law and included various income tax related provisions with an effective date beginning in 2023. Among the enacted provisions are a 15% corporate alternative minimum tax (“CAMT”) and several new and expanded clean energy credits and incentives. The CAMT will be assessed on applicable corporations with an average annual adjusted financial statement income that exceeds \$1 billion for the preceding three consecutive years. The Company continues to assess the potential impact of the CAMT, and material incremental cash tax could be incurred depending on actual operating results as well as future U.S. Treasury guidance.



## ***Purchase Accounting***

Periodically we acquire assets and assume liabilities in transactions accounted for as business combinations, such as the Merger with WPX. In connection with the Merger in 2021, as the accounting acquirer, we allocated the \$5.4 billion of purchase price consideration to the assets acquired and liabilities assumed based on estimated fair values as of the date of the Merger.

We made a number of assumptions in estimating the fair value of assets acquired and liabilities assumed in the Merger. The most significant assumptions related to the estimated fair values of proved and unproved oil and gas properties. Since sufficient market data was not available regarding the fair values of proved and unproved oil and gas properties, we prepared estimates and engaged third-party valuation experts. Significant judgments and assumptions were inherent in these estimates and included, among other things, estimates of reserve quantities, estimates of future commodity prices, expected development costs, lease operating costs, reserve risk adjustment factors and an estimate of an applicable market participant discount rate that reflected the risk of the underlying cash flow estimates.

Estimated fair values ascribed to assets acquired can have a significant impact on future results of operations presented in Devon's financial statements. A higher fair value ascribed to a property results in higher DD&A expense, which results in lower net earnings. Fair values are based on estimates of future commodity prices, reserve quantities, development costs and operating costs. In the event that future commodity prices or reserve quantities are lower than those used as inputs to determine estimates of acquisition date fair values, the likelihood increases that certain costs may be determined to not be recoverable.

In addition to the fair value of proved and unproved oil and gas properties, other fair value assessments for the assets acquired and liabilities assumed in the Merger related to debt, the equity method investment in Catalyst and out-of-market contract liabilities. The fair value of the assumed WPX publicly traded debt was based on available third-party quoted prices. We prepared estimates and engaged third-party valuation experts to assist in the valuation of the equity method investment in Catalyst. Significant judgments and assumptions inherent in this estimate included projected Catalyst cash flows, comparable companies cash flow multiples and an estimate of an applicable market participant discount rate. The fair value of assumed out-of-market contract assets and liabilities associated with longer-term marketing, gathering, processing and transportation contracts included significant judgments and assumptions related to determining the market rates, estimates of future reserves and production associated with the respective contracts and applying an applicable market participant discount rate.

## **Non-GAAP Measures**

### ***Core Earnings***

We make reference to “core earnings (loss) attributable to Devon” and “core earnings (loss) per share attributable to Devon” in “Overview of 2022 Results” in this Item 7 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 (loss) excluding certain noncash and other items that are typically excluded by securities analysts in their published estimates of our quarterly financial results. For more information on the results of discontinued operations for our Barnett Shale assets, see Note 19 in “Item 8. Financial Statements and Supplementary Data” in this report. Our non-GAAP measures are typically used as a quarterly performance measure. Amounts excluded for 2022 relate to asset dispositions, noncash asset impairments (including unproved asset impairments), deferred tax asset valuation allowance and fair value changes in derivative financial instruments.

Amounts excluded for 2021 relate to asset dispositions, noncash asset impairments (including unproved asset impairments), deferred tax asset valuation allowance, changes in tax legislation, fair value changes in derivative financial instruments, restructuring and transaction costs associated with the workforce reductions in 2021 and costs associated with the early retirement of debt.

Amounts excluded for 2020 relate to asset dispositions, noncash asset impairments (including unproved asset impairments), deferred tax asset valuation allowance, fair value changes in derivative financial instruments and foreign currency, change in tax legislation and restructuring and transaction costs associated with the workforce reductions in 2020.

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.



### **EBITDAX and Field-Level Cash Margin**

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

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

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

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

	Year Ended December 31,		
	2022	2021	2020
<b>Net earnings (GAAP)</b>	\$ 6,037	\$ 2,833	\$ (2,671)
Net loss from discontinued operations, net of tax	—	—	128
Financing costs, net	309	329	270
Income tax expense (benefit)	1,738	65	(547)
Exploration expenses	29	14	167
Depreciation, depletion and amortization	2,223	2,158	1,300
Asset impairments	—	—	2,693
Asset dispositions	(44)	(168)	(1)
Share-based compensation	87	77	76
Derivative and financial instrument non-cash valuation changes	(698)	82	161
Restructuring and transaction costs	—	258	49
Accretion on discounted liabilities and other	(95)	(43)	(34)
<b>EBITDAX (Non-GAAP)</b>	<u>9,586</u>	<u>5,605</u>	<u>1,591</u>
Marketing and midstream revenues and expenses, net	35	19	35
Commodity derivative cash settlements	1,356	1,462	(316)
General and administrative expenses, cash-based	308	314	262
<b>Field-level cash margin (Non-GAAP)</b>	<u>\$ 11,285</u>	<u>\$ 7,400</u>	<u>\$ 1,572</u>

**Item 7A. *Quantitative and Qualitative Disclosures about Market Risk***

The primary objective of the following information is to provide forward-looking quantitative and qualitative information about our potential exposure to market risks. The term “market risk” refers to our risk of loss arising from adverse changes in oil, gas and NGL prices, interest rates and foreign currency exchange rates. The following disclosures are not meant to be precise indicators of expected future losses but rather indicators of reasonably possible losses. This forward-looking information provides indicators of how we view and manage our ongoing market risk exposures. All of our market risk sensitive instruments were entered into for purposes other than speculative trading.

**Commodity Price Risk**

Our major market risk exposure is the pricing applicable to our oil, gas and NGL production. Realized pricing is primarily driven by the prevailing worldwide price for crude oil and spot market prices applicable to our gas and NGL production. Pricing for oil and gas production has been volatile and unpredictable as discussed in “Item 1A. Risk Factors” of this report. Consequently, we systematically hedge a portion of our production through various financial transactions. The key terms to our oil and gas derivative financial instruments as of December 31, 2022 are presented in Note 3 in “Item 8. Financial Statements and Supplementary Data” of this report.

The fair values of our commodity derivatives are largely determined by estimates of the forward curves of the relevant price indices. At December 31, 2022, a 10% change in the forward curves associated with our commodity derivative instruments would have changed our net positions by approximately \$150 million.

**Interest Rate Risk**

At December 31, 2022, we had total debt of \$6.4 billion. All of our debt is based on fixed interest rates averaging 5.8%.

**Foreign Currency Risk**

We had no material foreign currency risk at December 31, 2022.

**Item 8. Financial Statements and Supplementary Data**

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AND CONSOLIDATED FINANCIAL STATEMENT SCHEDULES**

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All financial statement schedules are omitted as they are inapplicable or the required information has been included in the consolidated financial statements or notes thereto.

## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors  
Devon Energy Corporation:

### *Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting*

We have audited the accompanying consolidated balance sheets of Devon Energy Corporation and subsidiaries (the Company) as of December 31, 2022 and 2021, the related consolidated statements of comprehensive earnings, equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

### *Basis for Opinions*

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control Over Financial Reporting contained in "Item 9A. Controls and Procedures". Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### *Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Estimate of proved oil and gas reserves used in the depletion of proved oil and gas properties*

As discussed in Notes 1 and 13 to the consolidated financial statements, the Company calculates depletion for its proved oil and gas properties subject to amortization using a units-of-production method. The rates used to deplete the balance of oil and gas properties subject to amortization are set using the estimate of proved oil and gas reserves by common operating field. Under the units-of-production method, a rate is set annually using the beginning of year balance of oil and gas properties subject to amortization and estimated proved oil and gas reserves for each common operating field. That rate is then applied to production throughout the year to determine the amount of depletion expense to be recorded by common operating field. The Company also periodically evaluates whether changes in the estimated proved oil and gas reserves for each common operating field have occurred that would require a change in the rate of depletion to be applied to the production realized. The Company's internal reservoir engineers estimate proved oil and gas reserves, and the Company engages external reservoir engineers to perform an independent evaluation of a portion of the estimates of proved oil and gas reserves. The company recorded depletion expense of \$2.1 billion for the year ended December 31, 2022.

We identified the estimate of proved oil and gas reserves used in the depletion of proved oil and gas properties as a critical audit matter. There was a high degree of subjectivity in evaluating the Company's estimate of the proved oil and gas reserves used as an input to determine depletion for each common operating field.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's depletion expense process, including controls related to the estimate of proved oil and gas reserves. We analyzed and assessed the determination of depletion expense for compliance with industry and regulatory standards. To assess the Company's ability to accurately estimate proved oil and gas reserves, we compared the estimated future production quantities assumptions used by the Company in prior periods to the actual production amounts realized and the current year-end future production quantities forecasted. We compared the estimated future production quantities used by the Company in the current period to historical production trends and investigated differences. We evaluated (1) the professional qualifications of the Company's internal reservoir engineers as well as the external reservoir engineers and external engineering firm, (2) the knowledge, skills, and ability of the Company's internal and external reservoir engineers, and (3) the relationship of the external reservoir engineers and external engineering firm to the Company. We read and considered the report of the Company's external reservoir engineers in connection with our evaluation of the Company's reserve estimates.

/s/ KPMG, LLP

We have served as the Company's auditor since 1980.

Oklahoma City, Oklahoma  
February 15, 2023

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

	Year Ended December 31,		
	2022	2021	2020
	(Millions, except per share amounts)		
Oil, gas and NGL sales	\$ 14,082	\$ 9,531	\$ 2,695
Oil, gas and NGL derivatives	(658)	(1,544)	155
Marketing and midstream revenues	5,745	4,219	1,978
Total revenues	<u>19,169</u>	<u>12,206</u>	<u>4,828</u>
Production expenses	2,797	2,131	1,123
Exploration expenses	29	14	167
Marketing and midstream expenses	5,780	4,238	2,013
Depreciation, depletion and amortization	2,223	2,158	1,300
Asset impairments	—	—	2,693
Asset dispositions	(44)	(168)	(1)
General and administrative expenses	395	391	338
Financing costs, net	309	329	270
Restructuring and transaction costs	—	258	49
Other, net	(95)	(43)	(34)
Total expenses	<u>11,394</u>	<u>9,308</u>	<u>7,918</u>
Earnings (loss) from continuing operations before income taxes	7,775	2,898	(3,090)
Income tax expense (benefit)	1,738	65	(547)
Net earnings (loss) from continuing operations	6,037	2,833	(2,543)
Net loss from discontinued operations, net of income taxes	—	—	(128)
Net earnings (loss)	6,037	2,833	(2,671)
Net earnings attributable to noncontrolling interests	22	20	9
Net earnings (loss) attributable to Devon	<u>\$ 6,015</u>	<u>\$ 2,813</u>	<u>\$ (2,680)</u>
Net earnings (loss) per share:			
Basic earnings (loss) from continuing operations per share	\$ 9.15	\$ 4.20	\$ (6.78)
Basic loss from discontinued operations per share	—	—	(0.34)
Basic net earnings (loss) per share	<u>\$ 9.15</u>	<u>\$ 4.20</u>	<u>\$ (7.12)</u>
Diluted earnings (loss) per share:			
Diluted earnings (loss) from continuing operations per share	\$ 9.12	\$ 4.19	\$ (6.78)
Diluted loss from discontinued operations per share	—	—	(0.34)
Diluted net earnings (loss) per share	<u>\$ 9.12</u>	<u>\$ 4.19</u>	<u>\$ (7.12)</u>
Comprehensive earnings (loss):			
Net earnings (loss)	\$ 6,037	\$ 2,833	\$ (2,671)
Other comprehensive earnings (loss), net of tax:			
Pension and postretirement plans	16	(5)	(8)
Other comprehensive earnings (loss), net of tax	<u>16</u>	<u>(5)</u>	<u>(8)</u>
Comprehensive earnings (loss):	6,053	2,828	(2,679)
Comprehensive earnings attributable to noncontrolling interests	22	20	9
Comprehensive earnings (loss) attributable to Devon	<u>\$ 6,031</u>	<u>\$ 2,808</u>	<u>\$ (2,688)</u>

See accompanying notes to consolidated financial statements.



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

	Year Ended December 31,		
	2022	2021	2020
Cash flows from operating activities:			
Net earnings (loss)	\$ 6,037	\$ 2,833	\$ (2,671)
Adjustments to reconcile net earnings (loss) to net cash from operating activities:			
Net loss from discontinued operations, net of income taxes	—	—	128
Depreciation, depletion and amortization	2,223	2,158	1,300
Asset impairments	—	—	2,693
Leasehold impairments	12	4	152
(Amortization) accretion of liabilities	(31)	(27)	32
Total (gains) losses on commodity derivatives	658	1,544	(155)
Cash settlements on commodity derivatives	(1,356)	(1,462)	316
Gains on asset dispositions	(44)	(168)	(1)
Deferred income tax expense (benefit)	1,179	49	(328)
Share-based compensation	88	99	88
Early retirement of debt	—	(30)	—
Other	(10)	15	5
Changes in assets and liabilities, net	(226)	(116)	(95)
Net cash from operating activities - continuing operations	<u>8,530</u>	<u>4,899</u>	<u>1,464</u>
Cash flows from investing activities:			
Capital expenditures	(2,542)	(1,989)	(1,153)
Acquisitions of property and equipment	(2,583)	(18)	(8)
Divestitures of property and equipment	39	79	34
WPX acquired cash	—	344	—
Distributions from investments	39	35	—
Contributions to investments	(76)	(25)	—
Net cash from investing activities - continuing operations	<u>(5,123)</u>	<u>(1,574)</u>	<u>(1,127)</u>
Cash flows from financing activities:			
Repayments of long-term debt	—	(1,243)	—
Early retirement of debt	—	(59)	—
Repurchases of common stock	(718)	(589)	(38)
Dividends paid on common stock	(3,379)	(1,315)	(257)
Contributions from noncontrolling interests	—	4	21
Distributions to noncontrolling interests	(30)	(21)	(14)
Acquisition of noncontrolling interests	—	(24)	—
Shares exchanged for tax withholdings and other	(86)	(45)	(18)
Net cash from financing activities - continuing operations	<u>(4,213)</u>	<u>(3,292)</u>	<u>(306)</u>
Effect of exchange rate changes on cash - continuing operations	(11)	1	—
Net change in cash, cash equivalents and restricted cash - continuing operations	<u>(817)</u>	<u>34</u>	<u>31</u>
Cash flows from discontinued operations:			
Operating activities	—	—	(110)
Investing activities	—	—	481
Financing activities	—	—	—
Effect of exchange rate changes on cash	—	—	(9)
Net change in cash, cash equivalents and restricted cash of discontinued operations	<u>—</u>	<u>—</u>	<u>362</u>
Net change in cash, cash equivalents and restricted cash	<u>(817)</u>	<u>34</u>	<u>393</u>
Cash, cash equivalents and restricted cash at beginning of period	<u>2,271</u>	<u>2,237</u>	<u>1,844</u>
Cash, cash equivalents and restricted cash at end of period	<u>\$ 1,454</u>	<u>\$ 2,271</u>	<u>\$ 2,237</u>
Reconciliation of cash, cash equivalents and restricted cash:			
Cash and cash equivalents	\$ 1,314	\$ 2,099	\$ 2,047
Restricted cash	140	172	190
Total cash, cash equivalents and restricted cash	<u>\$ 1,454</u>	<u>\$ 2,271</u>	<u>\$ 2,237</u>

See accompanying notes to consolidated financial statements.

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

	<b>December 31, 2022</b>	<b>December 31, 2021</b>
<b>ASSETS</b>		
Current assets:		
Cash, cash equivalents and restricted cash	\$ 1,454	\$ 2,271
Accounts receivable	1,767	1,543
Inventory	201	114
Other current assets	469	321
Total current assets	3,891	4,249
Oil and gas property and equipment, based on successful efforts accounting, net	16,567	13,536
Other property and equipment, net (\$109 million and \$111 million related to CDM in 2022 and 2021, respectively)	1,539	1,472
Total property and equipment, net	18,106	15,008
Goodwill	753	753
Right-of-use assets	224	235
Investments	440	402
Other long-term assets	307	378
Total assets	\$ 23,721	\$ 21,025
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 859	\$ 500
Revenues and royalties payable	1,506	1,456
Short-term debt	251	—
Other current liabilities	489	1,131
Total current liabilities	3,105	3,087
Long-term debt	6,189	6,482
Lease liabilities	257	252
Asset retirement obligations	511	468
Other long-term liabilities	900	1,050
Deferred income taxes	1,463	287
Stockholders' equity:		
Common stock, \$0.10 par value. Authorized 1.0 billion shares; issued 653 million and 663 million shares in 2022 and 2021, respectively	65	66
Additional paid-in capital	6,921	7,636
Retained earnings	4,297	1,692
Accumulated other comprehensive loss	(116)	(132)
Total stockholders' equity attributable to Devon	11,167	9,262
Noncontrolling interests	129	137
Total equity	11,296	9,399
Total liabilities and equity	\$ 23,721	\$ 21,025

See accompanying notes to consolidated financial statements.

**DEVON ENERGY CORPORATION AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF EQUITY**

	Common Stock		Additional	Retained	Other Comprehensive	Treasury	Noncontrolling	Total
	Shares	Amount	Paid-In Capital	Earnings	Earnings (Loss)	Stock	Interests	Equity
Balance as of December 31, 2019	382	\$ 38	\$ 2,735	\$ 3,148	\$ (119)	\$ —	\$ 118	\$ 5,920
Net earnings (loss)	—	—	—	(2,680)	—	—	9	(2,671)
Other comprehensive loss, net of tax	—	—	—	—	(8)	—	—	(8)
Restricted stock grants, net of cancellations	3	—	—	—	—	—	—	—
Common stock repurchased	—	—	—	—	—	(57)	—	(57)
Common stock retired	(3)	—	(57)	—	—	57	—	—
Common stock dividends	—	—	—	(260)	—	—	—	(260)
Share-based compensation	—	—	88	—	—	—	—	88
Contributions from noncontrolling interests	—	—	—	—	—	—	21	21
Distributions to noncontrolling interests	—	—	—	—	—	—	(14)	(14)
<b>Balance as of December 31, 2020</b>	<b>382</b>	<b>\$ 38</b>	<b>\$ 2,766</b>	<b>\$ 208</b>	<b>\$ (127)</b>	<b>\$ —</b>	<b>\$ 134</b>	<b>\$ 3,019</b>
Net earnings	—	—	—	2,813	—	—	20	2,833
Other comprehensive loss, net of tax	—	—	—	—	(5)	—	—	(5)
Restricted stock grants, net of cancellations	6	—	—	—	—	—	—	—
Common stock repurchased	—	—	—	—	—	(633)	—	(633)
Common stock retired	(16)	(1)	(632)	—	—	633	—	—
Common stock dividends	—	—	—	(1,329)	—	—	—	(1,329)
Common stock issued	290	29	5,403	—	—	—	—	5,432
Share-based compensation	1	—	99	—	—	—	—	99
Contributions from noncontrolling interests	—	—	—	—	—	—	3	3
Distributions to noncontrolling interests	—	—	—	—	—	—	(20)	(20)
<b>Balance as of December 31, 2021</b>	<b>663</b>	<b>\$ 66</b>	<b>\$ 7,636</b>	<b>\$ 1,692</b>	<b>\$ (132)</b>	<b>\$ —</b>	<b>\$ 137</b>	<b>\$ 9,399</b>
Net earnings	—	—	—	6,015	—	—	22	6,037
Other comprehensive earnings, net of tax	—	—	—	—	16	—	—	16
Restricted stock grants, net of cancellations	2	1	3	—	—	—	—	4
Common stock repurchased	—	—	—	—	—	(808)	—	(808)
Common stock retired	(13)	(2)	(806)	—	—	808	—	—
Common stock dividends	—	—	—	(3,410)	—	—	—	(3,410)
Share-based compensation	1	—	88	—	—	—	—	88
Distributions to noncontrolling interests	—	—	—	—	—	—	(30)	(30)
<b>Balance as of December 31, 2022</b>	<b>653</b>	<b>\$ 65</b>	<b>\$ 6,921</b>	<b>\$ 4,297</b>	<b>\$ (116)</b>	<b>\$ —</b>	<b>\$ 129</b>	<b>\$ 11,296</b>

See accompanying notes to consolidated financial statements.

**DEVON ENERGY CORPORATION AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

Devon is a leading independent energy company engaged primarily in the exploration, development and production of oil, natural gas and NGLs. Devon's operations are concentrated in various onshore areas in the U.S.

Devon and WPX completed an all-stock merger of equals on January 7, 2021. On the closing date of the Merger, each share of WPX common stock was automatically converted into the right to receive 0.5165 of a share of Devon common stock. The transaction has been accounted for using the acquisition method of accounting, with Devon being treated as the accounting acquirer. See Note 2 for further discussion.

Accounting policies used by Devon and its subsidiaries conform to accounting principles generally accepted in the U.S. and reflect industry practices. The more significant of such policies are discussed below.

***Principles of Consolidation***

The accompanying consolidated financial statements include the accounts of Devon, entities in which it holds a controlling interest and VIEs for which Devon is the primary beneficiary. All intercompany transactions have been eliminated. Undivided interests in oil and natural gas exploration and production joint ventures are consolidated on a proportionate basis. Investments in non-controlled entities, over which Devon has the ability to exercise significant influence over operating and financial policies, are accounted for using the equity method. In applying the equity method of accounting, the investments are initially recognized at cost and subsequently adjusted for Devon's proportionate share of earnings, losses, contributions and distributions. Investments in non-controlled entities over which Devon does not have the ability to exercise significant influence are initially recognized at cost and subsequently adjusted for contributions and distributions.

***Variable Interest Entity***

Devon and an affiliate of QL Capital Partners, LP ("QLCP") formed CDM, a joint venture in the Delaware Basin. Devon holds a controlling interest in CDM and the portions of CDM's net earnings and equity not attributable to Devon's controlling interest are shown separately as noncontrolling interests in the accompanying consolidated statements of comprehensive earnings and consolidated balance sheets. CDM is considered a VIE to Devon.

Devon, through its controlling interest in CDM, has the power to direct the activities that significantly affect the economic performance of CDM and the obligation to absorb losses or the right to receive benefits that could be significant to CDM; therefore, Devon is considered the primary beneficiary and consolidates CDM. CDM maintains its own capital structure that is separate from Devon. During 2022, 2021 and 2020, QLCP distributions from CDM were approximately \$30 million, \$20 million and \$14 million, respectively. During 2021 and 2020, QLCP contributions to CDM were approximately \$3 million and \$21 million, respectively.

The assets of CDM cannot be used by Devon for general corporate purposes and are included in and disclosed parenthetically on Devon's consolidated balance sheets. The carrying amount of liabilities related to CDM for which the creditors do not have recourse to Devon's assets are also included in and disclosed parenthetically, if material, on Devon's consolidated balance sheets.

***Investments***

In conjunction with the Merger, Devon acquired an interest in Catalyst, which is a joint venture established among WPX, an affiliate of Howard Energy Partners, LLC ("HEP") and certain other investors, to develop oil gathering and natural gas processing infrastructure in the Stateline area of the Delaware Basin. Under the terms of the arrangement, Devon and a holding company owned by the other joint venture investors each have a 50% voting interest in the joint venture legal entity, and HEP serves as the operator. Through 2038, Devon's production from

**DEVON ENERGY CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

50,000 net acres in the Stateline area of the Delaware Basin has been dedicated to Catalyst subject to fixed-fee oil gathering and natural gas processing agreements. The agreements do not include any minimum volume commitments. Devon accounts for the investment in Catalyst as an equity method investment. Devon's share of the earnings are reflected as a component of other, net in the accompanying consolidated statements of comprehensive earnings.

During 2022, Devon made an investment in Matterhorn. Matterhorn is a joint venture entity and was formed for the purpose of constructing a natural gas pipeline that will transport natural gas from the Permian Basin to the Katy, Texas area. Devon's investment in Matterhorn does not give it the ability to exercise significant influence over Matterhorn.

Devon has other investments largely focused on midstream, new technologies and energy transition initiatives. Devon does not have the ability to exercise significant influence over these investments. The following table presents Devon's investments that are shown on the consolidated balance sheet.

<u>Investments</u>	<u>% Interest</u>	<u>Carrying Amount</u>	
		<u>December 31, 2022</u>	<u>December 31, 2021</u>
Catalyst	50%	\$ 339	\$ 368
Matterhorn	12.5%	54	—
Other	Various	47	34
Total		<u>\$ 440</u>	<u>\$ 402</u>

As of December 31, 2022, Devon's \$339 million investment in Catalyst exceeded the underlying equity in net assets by approximately \$120 million. The basis difference results primarily from intangible assets associated with Devon's acreage dedication and is amortized over the remaining 15-year term of the associated oil gathering and natural gas processing agreements.

After the closing of the Merger, Catalyst has provided certain gathering, processing and marketing services to Devon in the ordinary course of business. The impact from these services on Devon's consolidated statement of comprehensive earnings and consolidated balance sheet for the years ended and as of December 31, 2022 and 2021, respectively, are summarized below.

	<u>Year ended December 31,</u>	
	<u>2022</u>	<u>2021</u>
Oil, gas and NGL sales	\$ 405	\$ 264
Production expenses	\$ 55	\$ 42
Accounts receivable	\$ 14	\$ 22

***Segment Information***

Devon's oil and gas exploration and production activities are solely focused in the U.S. For financial reporting purposes, Devon aggregates its U.S. operating segments into one reporting segment due to the similar nature of these operations.

***Use of Estimates***

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts

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

could differ from these estimates, and changes in these estimates are recorded when known. Significant items subject to such estimates and assumptions include the following:

- proved reserves and related present value of future net revenues;
- evaluation of suspended well costs;
- the carrying and fair values of oil and gas properties, other property and equipment and product and equipment inventories;
- derivative financial instruments;
- the fair value of reporting units and related assessment of goodwill for impairment;
- income taxes;
- asset retirement obligations;
- obligations related to employee pension and postretirement benefits;
- purchase accounting estimates used for assets acquired and liabilities assumed;
- legal and environmental risks and exposures;
- the fair value of contingent earnout payments, and
- general credit risk associated with receivables and other assets.

***Revenue Recognition***

*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, if required, 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 statements of comprehensive earnings.

Devon acts as a principal in sales transactions when control of the product is retained prior to delivery to the ultimate third-party customer or acts as an agent when services are rendered on behalf of the principal in the transactions. A control-based assessment is performed to identify whether Devon is a principal or an agent in the transaction, which determines whether revenue and the related expenses are presented on a gross or net basis, respectively.

*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 where 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 Devon receives a specified index price from the purchaser with no transportation 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-

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

party costs are recorded as gathering, processing and transportation expense as a component of production expenses in the consolidated statements of comprehensive 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 statements of comprehensive 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 statements of comprehensive earnings.

*Marketing Revenues*

Marketing revenues are generated primarily as a result of Devon selling commodities purchased from third parties. Marketing revenues are recognized when performance obligations are satisfied. This occurs at the time contract-specified products are sold 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. 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 revenues and expenses attributable to oil, gas and NGL purchases are reported on a gross basis when Devon takes control of the products and has risks and rewards of ownership.

*Midstream Revenues*

Devon's reported midstream revenue primarily relates to its interest in CDM. CDM provides gathering, compression and dehydration services to Devon and other producers' natural gas production. An evaluation is performed to determine whether CDM is a principal or agent in these transactions. Under the terms of these gathering, compression and dehydration contracts, CDM has concluded it is the agent as title to the gas production remains with the CDM affiliate producer or a third-party producer. Revenue is recognized on a net basis since CDM is strictly providing a service. Costs to maintain CDM's assets are presented as marketing and midstream expenses in the consolidated statements of comprehensive earnings. Revenue is recognized for sales at the time the gathering, compression and dehydration service has been rendered or performed.

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

*Satisfaction of Performance Obligations and Revenue Recognition*

Because 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 recognizes revenue for sales at the time the crude oil, natural gas or NGLs 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 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 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 is deferred and recognized when all revenue recognition criteria are met. Contract liabilities generated from such deferred revenue are not considered material as of December 31, 2022. Devon's product sales and marketing contracts do not give rise to contract assets.

*Disaggregation of Revenue*

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

	<b>Year Ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Oil	\$ 10,281	\$ 6,996	\$ 2,034
Gas	1,948	1,104	326
NGL	1,853	1,431	335
Oil, gas and NGL sales	<u>14,082</u>	<u>9,531</u>	<u>2,695</u>
Oil	3,305	2,451	936
Gas	1,163	718	488
NGL	1,277	1,050	554
Marketing and midstream revenues	<u>5,745</u>	<u>4,219</u>	<u>1,978</u>
Total revenues from contracts with customers	<u>\$ 19,827</u>	<u>\$ 13,750</u>	<u>\$ 4,673</u>

*Customers*

For the year ended December 31, 2022, sales to one customer accounted for approximately 15% of Devon's sales revenue. For the years ended December 31, 2021 and 2020, sales to two customers accounted for approximately 19% and 12% and 13% and 10%, respectively, of Devon's sales revenue.

If any one of Devon's major customers were to stop purchasing our production, the Company believes there are a number of other purchasers to whom the company could sell Devon's production. If multiple significant customers were to discontinue purchasing Devon's production abruptly, the Company believes it would have the resources needed to access alternative customers or markets and avoid or materially mitigate associated sales disruptions.



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

***Derivative Financial Instruments***

Devon is exposed to certain risks relating to its ongoing business operations, including risks related to commodity prices and interest rates. As discussed more fully below, Devon uses derivative instruments primarily to manage commodity price risk. Devon does not intend to issue or hold derivative financial instruments for speculative trading purposes.

Devon enters into derivative financial instruments with respect to a portion of its oil, gas and NGL production to hedge future prices received. Additionally, Devon periodically enters into derivative financial instruments with respect to a portion of its oil, gas and NGL marketing activities. These instruments are used to manage the inherent uncertainty of future revenues resulting from commodity price volatility. Devon's derivative financial instruments typically include financial price swaps, basis swaps and costless price collars. Under the terms of the price swaps, Devon receives a fixed price for its production and pays a variable market price to the contract counterparty. For the basis swaps, Devon receives a fixed differential between two regional index prices and pays a variable differential on the same two index prices to the contract counterparty. For price collars, Devon utilizes two-way price collars. The two-way price collars set a floor and ceiling price for the hedged production. If the applicable monthly price indices are outside of the ranges set by the floor and ceiling prices in the various collars, Devon will cash-settle the difference with the counterparty.

All derivative financial instruments are recognized at their current fair value as either assets or liabilities in the balance sheet. Amounts related to contracts allowed to be netted upon payment subject to a master netting arrangement with the same counterparty are reported on a net basis in the balance sheet. Changes in the fair value of these derivative financial instruments are recorded in earnings unless specific hedge accounting criteria are met. For derivative financial instruments held during the three-year period ended December 31, 2022, Devon chose not to meet the necessary criteria to qualify its derivative financial instruments for hedge accounting treatment. Cash settlements with counterparties on Devon's derivative financial instruments are also recorded in earnings.

By using derivative financial instruments to hedge exposures to changes in commodity prices and interest rates, 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 require cash collateral to be posted if either its or the counterparty's credit rating falls below certain credit rating levels. As of December 31, 2022, Devon held no cash collateral of its counterparties nor posted collateral to its counterparties. Given Devon's current credit ratings and the terms of the underlying contracts, Devon is not currently required to post collateral to its counterparties with respect to its open derivative positions, and would not be required to post any such collateral as a result of any change to the amount of Devon's net liability for such positions.

***General and Administrative Expenses***

G&A is reported net of amounts reimbursed by working interest owners of the oil and gas properties operated by Devon.

***Share-Based Compensation***

Devon grants share-based awards to members of its Board of Directors, management and employees. All such awards are measured at fair value on the date of grant and are generally recognized as a component of G&A in the accompanying consolidated statements of comprehensive earnings over the applicable requisite service periods. As a result of Devon's restructuring activity discussed in Note 6, certain share-based awards were accelerated and recognized as a component of restructuring and transaction costs in the accompanying consolidated statements of comprehensive earnings.

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

Generally, Devon uses new shares from approved incentive programs to grant share-based awards and to issue shares upon stock option exercises. Shares repurchased under approved programs are generally available to be issued as part of Devon's share-based awards. However, Devon has historically canceled these shares upon repurchase.

***Income Taxes***

Devon is subject to current income taxes assessed by the federal and various state jurisdictions in the U.S. and by other foreign jurisdictions. In addition, Devon accounts for deferred income taxes related to these jurisdictions using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences and carryforwards are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Deferred tax assets are also recognized for the future tax benefits attributable to the expected utilization of existing tax net operating loss carryforwards and other types of carryforwards. If the future utilization of some portion of the deferred tax assets is determined to be unlikely, a valuation allowance is provided to reduce the recorded tax benefits from such assets. Devon periodically weighs the positive and negative evidence to determine if it is more likely than not that some or all of the deferred tax assets will be realized. Forming a conclusion that a valuation allowance is not required is difficult when there is significant negative evidence, such as cumulative losses in recent years. See Note 8 for further discussion.

Devon recognizes the financial statement effects of tax positions when it is more likely than not, based on the technical merits, that the position will be sustained upon examination by a taxing authority. Recognized tax positions are initially and subsequently measured as the largest amount of tax benefit that is more likely than not of being realized upon ultimate settlement with a taxing authority. Liabilities for unrecognized tax benefits related to such tax positions are included in other long-term liabilities unless the tax position is expected to be settled within the upcoming year, in which case the liabilities are included in other current liabilities. Interest and penalties related to unrecognized tax benefits are included in current income tax expense.

Devon estimates its annual effective income tax rate in recording its 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 period in which they occur.

***Net Earnings (Loss) Per Share Attributable to Devon***

Devon's basic earnings per share amounts have been computed based on the average number of shares of common stock outstanding for the period. Basic earnings per share includes the effect of participating securities, which primarily consist of Devon's outstanding restricted stock awards. Diluted earnings per share is calculated using the treasury stock method to reflect the assumed issuance of common shares for all potentially dilutive securities. Such securities primarily consist of unvested performance share units.

***Cash, Cash Equivalents and Restricted Cash***

Devon considers all highly liquid investments with original contractual maturities of three months or less to be cash equivalents. To fund retained long-term obligations related to previously disposed assets, approximately \$120 million and \$160 million of Devon's cash balance as of December 31, 2022 and 2021, respectively, is presented as restricted. These obligations primarily relate to abandoned Canadian firm transportation agreements. This cash is not legally restricted and can be used by Devon for other general corporate purposes.

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

***Accounts Receivable***

Devon's accounts receivable balance primarily consists of oil and gas sales receivables, marketing and midstream revenue receivables and joint interest receivables. Devon does not require collateral security for joint interest receivables.

Devon records an allowance for credit losses based on a forward-looking "expected loss" model. Credit risk is assessed by class of account type, which includes cash equivalents and oil and gas, marketing and midstream, joint interest and other accounts receivable. These classes are further evaluated using a probability-weighted scenario assessment based on historical losses and a probability of future default. This evaluation is supported by an assessment of risk factors such as the age of the receivable, current macro-economic conditions, credit rating of the counterparty and our historical loss rate.

***Property and Equipment***

***Oil and Gas Property and Equipment***

Devon follows the successful efforts method of accounting for its oil and gas properties. Exploration costs, such as exploratory geological and geophysical costs, and costs associated with nonproductive exploratory wells, delay rentals and exploration overhead are charged against earnings as incurred. Costs of drilling successful exploratory wells along with acquisition costs and the costs of drilling development wells, including those that are unsuccessful, are capitalized. Devon groups its oil and gas properties with a common geological structure or stratigraphic condition ("common operating field") for purposes of computing DD&A, assessing proved property impairments and accounting for asset dispositions.

Exploratory drilling costs and exploratory-type stratigraphic test wells are initially capitalized, or suspended, pending the determination of proved reserves. If proved reserves are found, drilling costs remain capitalized as proved properties. Costs of unsuccessful wells are charged to exploration expense. For exploratory wells that find reserves that cannot be classified as proved when drilling is completed, costs continue to be capitalized as suspended exploratory well costs if there have been sufficient reserves found to justify completion as a producing well and sufficient progress is being made in assessing the reserves and the economic and operating viability of the project. If management determines that future appraisal drilling or development activities are unlikely to occur, associated suspended exploratory well costs are expensed. In some instances, this determination may take longer than one year. Devon reviews the status of all suspended exploratory drilling costs quarterly.

Capitalized costs of proved oil and gas properties are depleted by an equivalent unit-of-production method, converting gas to oil at the ratio of six Mcf of gas to one Bbl of oil. Proved leasehold acquisition costs, less accumulated amortization, are depleted over total proved reserves, which includes proved undeveloped reserves. Capitalized costs of wells and related equipment and facilities, including estimated asset retirement costs, net of estimated salvage values and less accumulated amortization are depreciated over proved developed reserves associated with those capitalized costs. Depletion is calculated by applying the DD&A rate (amortizable base divided by beginning of period proved reserves) to current period production.

Costs associated with unproved properties are excluded from the depletion calculation until it is determined whether or not proved reserves can be assigned to such properties. Devon assesses its unproved properties for impairment annually, or more frequently if events or changes in circumstances dictate that the carrying value of those assets may not be recoverable. Significant unproved properties are assessed individually.

Proved properties are assessed for impairment when events or changes in circumstances dictate that the carrying value of those assets may not be recoverable. Individual assets are grouped for impairment purposes based on a common operating field. If there is an indication the carrying amount of an asset may not be recovered, the asset is assessed for potential impairment by management through an established process. If, upon review, the sum

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

of the undiscounted pre-tax reserve cash flows is less than the carrying value of the asset, the carrying value is written down to estimated fair value. Because there is usually a lack of quoted market prices for long-lived assets, the fair value of impaired assets is typically determined based on the present values of expected future cash flows using discount rates believed to be consistent with those used by principal market participants or by comparable transactions. The expected future cash flows used for impairment reviews and related fair value calculations are typically based on judgmental assessments of future production volumes, commodity prices, operating costs, and capital investment plans, considering all available information at the date of review.

Gains or losses are recorded for sales or dispositions of oil and gas properties which constitute an entire common operating field or which result in a significant alteration of the common operating field's DD&A rate. These gains and losses are classified as asset dispositions in the accompanying statements of comprehensive earnings. Partial common operating field sales or dispositions deemed not to significantly alter the DD&A rates are generally accounted for as adjustments to capitalized costs with no gain or loss recognized.

Devon capitalizes interest costs incurred that are attributable to material unproved oil and gas properties and major development projects of oil and gas properties.

*Other Property and Equipment*

Costs for midstream assets that are in use are depreciated over the assets' estimated useful lives, using the straight-line method. Depreciation and amortization of other property and equipment, including corporate and leasehold improvements, are provided using the straight-line method based on estimated useful lives ranging from three to 60 years. Interest costs incurred and attributable to major corporate construction projects are also capitalized.

*Asset Retirement Obligations*

Devon recognizes liabilities for retirement obligations associated with tangible long-lived assets, such as producing well sites when there is a legal obligation associated with the retirement of such assets and the amount can be reasonably estimated. The initial measurement of an asset retirement obligation is recorded as a liability at its fair value, with an offsetting asset retirement cost recorded as an increase to the associated property and equipment on the consolidated balance sheet. When the assumptions used to estimate a recorded asset retirement obligation change, a revision is recorded to both the asset retirement obligation and the asset retirement cost. Devon's asset retirement obligations also include estimated environmental remediation costs which arise from normal operations and are associated with the retirement of such long-lived assets. The asset retirement cost is depreciated using a systematic and rational method similar to that used for the associated property and equipment.

*Leases*

Devon establishes right-of-use assets and lease liabilities on the balance sheet for all leases with a term longer than 12 months. Devon's right-of-use operating lease assets are for certain leases related to real estate, drilling rigs and other equipment related to the exploration, development and production of oil and gas. Devon's right-of-use financing lease assets are related to real estate. Certain of Devon's lease agreements include variable payments based on usage or rental payments adjusted periodically for inflation. Devon's lease agreements do not contain any material residual value guarantees or restrictive covenants.

*Goodwill*

Goodwill represents the excess of the purchase price of business combinations over the fair value of the net assets acquired and is tested for impairment annually, or more frequently if events or changes in circumstances dictate that the carrying value of goodwill may not be recoverable. Such test includes a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If

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

the qualitative assessment determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill, then a quantitative goodwill impairment test is performed. The quantitative goodwill impairment test requires the fair value of the reporting unit be compared to the carrying value of the reporting unit. If the fair value of the reporting unit is less than the carrying value, an impairment charge will be recognized for the amount by which the carrying amount exceeds the fair value. The fair value of the reporting unit is estimated based upon market capitalization, comparable transactions of similar companies and premiums paid.

Devon performed impairment tests of goodwill in the fourth quarters of 2022, 2021 and 2020. No impairment was required as a result of the annual tests in these time periods.

***Commitments and Contingencies***

Liabilities for loss contingencies arising from claims, assessments, litigation or other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Liabilities for environmental remediation or restoration claims resulting from allegations of improper operation of assets are recorded when it is probable that obligations have been incurred and the amounts can be reasonably estimated. Expenditures related to such environmental matters are expensed or capitalized in accordance with Devon's accounting policy for property and equipment.

***Fair Value Measurements***

Certain of Devon's assets and liabilities are measured at fair value at each reporting date. Fair value represents the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants. This price is commonly referred to as the "exit price." Fair value measurements are classified according to a hierarchy that prioritizes the inputs underlying the valuation techniques. This hierarchy consists of three broad levels:

- Level 1 – Inputs consist of unadjusted quoted prices in active markets for identical assets and liabilities and have the highest priority. When available, Devon measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value.
- Level 2 – Inputs consist of quoted prices that are generally observable for the asset or liability. Common examples of Level 2 inputs include quoted prices for similar assets and liabilities in active markets or quoted prices for identical assets and liabilities in markets not considered to be active.
- Level 3 – Inputs are not observable from objective sources and have the lowest priority. The most common Level 3 fair value measurement is an internally developed cash flow model.

***Noncontrolling Interests***

Noncontrolling interests represent third-party ownership in the net assets of Devon's consolidated subsidiaries and are presented as a component of equity. Changes in Devon's ownership interests in subsidiaries that do not result in deconsolidation are recognized in equity.

**2. Acquisitions and Divestitures**

***WPX Merger***

On January 7, 2021, Devon and WPX completed an all-stock merger of equals. WPX was an oil and gas exploration and production company with assets in the Delaware Basin in Texas and New Mexico and the Williston Basin in North Dakota. On the closing date of the Merger, each share of WPX common stock was automatically converted into the right to receive 0.5165 of a share of Devon common stock. No fractional shares of Devon's common stock were issued in the Merger, and holders of WPX common stock instead received cash in lieu of

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

fractional shares of Devon common stock, if any. Based on the closing price of Devon's common stock on January 7, 2021, the total value of Devon common stock issued to holders of WPX common stock as part of this transaction was approximately \$5.4 billion. The Merger was structured as a tax-free reorganization for U.S. federal income tax purposes.

*Purchase Price Allocation*

The allocation of the total purchase price of WPX to the identifiable assets acquired and the liabilities assumed was finalized at December 31, 2021. The transaction was accounted for using the acquisition method of accounting, with Devon being treated as the accounting acquirer. Under the acquisition method of accounting, the assets and liabilities of WPX and its subsidiaries were recorded at their respective fair values as of the date of completion of the Merger and added to Devon's. Determining the fair value of the assets and liabilities of WPX required judgment and certain assumptions to be made, the most significant of these being related to the valuation of WPX's oil and gas properties. Significant judgments and assumptions included, among other things, estimates of reserve quantities, estimates of future commodity prices, expected development costs, lease operating costs, reserve risk adjustment factors and an estimate of an applicable market participant discount rate that reflected the risk of the underlying cash flow estimates. The inputs and assumptions related to the oil and gas properties were categorized as level 3 in the fair value hierarchy.

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

The following table represents the final allocation of the total purchase price of WPX to the identifiable assets acquired and the liabilities assumed based on the fair values as of the acquisition date.

	<b>Final Purchase Price Allocation</b>
<b>Consideration:</b>	
WPX Common Stock outstanding	561.2
Exchange Ratio	0.5165
Devon common stock issued	289.9
Devon closing price on January 7, 2021	\$ 18.57
Total common equity consideration	5,383
Share-based replacement awards	49
Total consideration	\$ 5,432
<b>Assets acquired:</b>	
Cash, cash equivalents and restricted cash	\$ 344
Accounts receivable	425
Other current assets	49
Right-of-use assets	38
Proved oil and gas property and equipment	7,017
Unproved and properties under development	2,362
Other property and equipment	485
Investments	400
Other long-term assets	43
Total assets acquired	\$ 11,163
<b>Liabilities assumed:</b>	
Accounts payable	\$ 346
Revenue and royalties payable	223
Other current liabilities	454
Debt	3,562
Lease liabilities	38
Asset retirement obligations	94
Deferred income taxes	249
Other long-term liabilities	765
Total liabilities assumed	5,731
Net assets acquired	\$ 5,432

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

*Pro Forma Financial Information*

The following unaudited pro forma financial information for the year ended December 31, 2020 is based on our historical consolidated financial statements adjusted to reflect as if the Merger had occurred on January 1, 2020. The information below reflects pro forma adjustments to conform WPX’s historical financial information to Devon’s financial statement presentation. The unaudited pro forma financial information is not necessarily indicative of what would have occurred if the Merger had been completed as of the beginning of the periods presented, nor is it indicative of future results.

	Year Ended December 31,	
	2020	
<b>Continuing operations:</b>		
Total revenues	\$	7,261
Net loss	\$	(3,438)
Basic net loss per share	\$	(5.16)

*Acquisitions*

In September 2022, Devon completed its acquisition of producing properties and leasehold interests located in the Eagle Ford for cash consideration of approximately \$1.7 billion, net of purchase price adjustments. Additionally, in July 2022, Devon completed its acquisition of producing properties and leasehold interests located in the Williston Basin for cash consideration of approximately \$830 million, net of purchase price adjustments. The total estimated proved reserves associated with these Eagle Ford and Williston Basin assets are approximately 87 MMBoe and 66 MMBoe, respectively. Each of these acquisitions were accounted for as asset acquisitions as substantially all of the fair value was concentrated in a group of similar assets. Each of the acquisitions resulted in the purchase of producing properties and leasehold interests in a defined geographical and geological area and substantially all of the assets have similar risk characteristics.

*Divestitures – Continuing Operations*

In 2021, Devon completed the sale of non-core assets in the Rockies for proceeds of \$9 million, net of purchase price adjustments, and recognized a \$35 million gain related to the sale. Devon received \$4 million in contingent earnout payments related to this transaction in the first quarters of 2023 and 2022. The total estimated proved reserves associated with these divested assets was approximately 3 MMBoe.

*Divestitures – Discontinued Operations*

In the fourth quarter of 2020, Devon completed the sale of its Barnett Shale assets to BKV for proceeds, net of purchase price adjustments, of \$490 million. The agreement with BKV provides for contingent earnout payments to Devon with upside participation beginning at a \$2.75 Henry Hub natural gas price or a \$50 WTI oil price. The contingent payment period commenced on January 1, 2021 and has a term of four years. Devon received \$65 million in contingent earnout payments related to this transaction in the first quarters of 2023 and 2022 and could receive up to an additional \$130 million in contingent earnout payments for the remaining performance periods depending on future commodity prices. The valuation of the future contingent earnout payments included within other current assets and other long-term assets in the December 31, 2022 consolidated balance sheet was \$65 million and \$88 million, respectively. During 2022 and 2021, Devon recorded a \$42 million and \$110 million increase to the fair value within asset dispositions on the consolidated statements of comprehensive earnings related to these payments. These values were derived utilizing a Monte Carlo valuation model and qualify as a level 3 fair value measurement. Additional information can be found in Note 19.



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

**3. Derivative Financial Instruments**

***Commodity Derivatives***

As of December 31, 2022, 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.

<b>Price Collars</b>			
<b>Period</b>	<b>Volume (Bbls/d)</b>	<b>Weighted Average Floor Price (\$/Bbl)</b>	<b>Weighted Average Ceiling Price (\$/Bbl)</b>
Q1-Q4 2023	86,207	\$ 69.03	\$ 94.66

<b>Oil Basis Swaps</b>			
<b>Period</b>	<b>Index</b>	<b>Volume (Bbls/d)</b>	<b>Weighted Average Differential to WTI (\$/Bbl)</b>
Q1-Q4 2023	Midland Sweet	18,647	\$ 0.73
Q1-Q4 2024	Midland Sweet	9,000	\$ 1.14

As of December 31, 2022, Devon had the following open natural gas derivative positions. The first table presents Devon's natural gas derivatives that settle against the Inside FERC first of the month Henry Hub index. The second table presents Devon's natural gas derivatives that settle against the respective indices noted within the table.

<b>Price Swaps</b>			<b>Price Collars</b>		
<b>Period</b>	<b>Volume (MMBtu/d)</b>	<b>Weighted Average Price (\$/MMBtu)</b>	<b>Volume (MMBtu/d)</b>	<b>Weighted Average Floor Price (\$/MMBtu)</b>	<b>Weighted Average Ceiling Price (\$/MMBtu)</b>
Q1-Q4 2023	11,123	\$ 5.47	199,490	\$ 3.78	\$ 8.27
Q1-Q4 2024			40,527	\$ 3.78	\$ 7.05

<b>Natural Gas Basis Swaps</b>			
<b>Period</b>	<b>Index</b>	<b>Volume (MMBtu/d)</b>	<b>Weighted Average Differential to Henry Hub (\$/MMBtu)</b>
Q1-Q4 2023	El Paso Natural Gas	140,041	\$ (1.58)
Q1-Q4 2023	Houston Ship Channel	110,000	\$ (0.16)
Q1-Q4 2023	WAHA	70,000	\$ (0.51)
Q1-Q4 2024	WAHA	40,000	\$ (0.51)

As of December 31, 2022, Devon did not have any open NGL derivative positions.

***Financial Statement Presentation***

All derivative financial instruments are recognized at their current fair value as either assets or liabilities in the consolidated balance sheets. Amounts related to contracts allowed to be netted upon payment subject to a master

**DEVON ENERGY CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

netting arrangement with the same counterparty are reported on a net basis in the consolidated balance sheets. The table below presents a summary of these positions as of December 31, 2022 and 2021.

	December 31, 2022			December 31, 2021			Balance Sheet Classification
	Gross Fair Value	Amounts Netted	Net Fair Value	Gross Fair Value	Amounts Netted	Net Fair Value	
Commodity derivatives:							
Short-term derivative asset	\$ 138	\$ (19)	\$ 119	\$ 6	\$ (4)	\$ 2	Other current assets
Long-term derivative asset	12	—	12	6	—	6	Other long-term assets
Short-term derivative liability	(22)	19	(3)	(579)	4	(575)	Other current liabilities
Long-term derivative liability	—	—	—	(2)	—	(2)	Other long-term liabilities
Total derivative asset (liability)	\$ 128	\$ —	\$ 128	\$ (569)	\$ —	\$ (569)	

**4. Share-Based Compensation**

In 2022, Devon's stockholders approved the 2022 Plan. The 2022 Plan replaces the 2017 Plan. From the effective date of the 2022 Plan, no further awards may be made under the 2017 Plan; however, awards previously granted will continue to be governed by the terms of the respective award documents. The 2022 Plan authorizes the grant of nonqualified and incentive stock options, restricted stock awards or units and stock appreciation rights to eligible employees. Restricted stock awards or restricted stock units granted under the 2022 Plan may be subject to performance-based conditions. The 2022 Plan also authorizes the grant of nonqualified stock options, restricted stock awards or units and stock appreciation rights to non-employee directors. To calculate the number of shares that may be granted in awards under the 2022 Plan, options and stock appreciation rights represent one share and other awards represent 1.74 shares.

The vesting for certain share-based awards was accelerated in 2021 and 2020 in conjunction with the reduction of workforce activities described in Note 6 and is included in restructuring and transaction costs in the accompanying consolidated statements of comprehensive earnings.

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

	Year Ended December 31,		
	2022	2021	2020
G&A	\$ 87	\$ 77	\$ 76
Exploration expenses	1	1	1
Restructuring and transaction costs	—	21	11
Total	\$ 88	\$ 99	\$ 88
Related income tax benefit	\$ 34	\$ 13	\$ —

The following table presents a summary of Devon's unvested restricted stock awards and units and performance share units granted under the plans.

	Restricted Stock Awards & Units		Performance Share Units	
	Awards/Units	Weighted Average Grant-Date Fair Value	Units	Weighted Average Grant-Date Fair Value
		(Thousands, except fair value data)		
Unvested at 12/31/21	7,656	\$ 22.15	2,076	\$ 24.12
Granted	1,408	\$ 53.60	964	\$ 44.05 <sup>(1)</sup>
Vested	(3,192)	\$ 23.10	(1,194)	\$ 28.91
Forfeited	(84)	\$ 34.05	(5)	\$ 68.68
Unvested at 12/31/22	5,788	\$ 29.11	1,841 <sup>(2)</sup>	\$ 31.33

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

- (1) These grants also include the impact of performance share units granted in prior year that vested higher than 100% target due to Devon's TSR performance compared to applicable peers.
- (2) A maximum of 3.7 million common shares could be awarded based upon Devon's final TSR ranking.

The following table presents the aggregate fair value of awards and units that vested during the indicated period.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Restricted Stock Awards and Units	\$ 180	\$ 115	\$ 44
Performance-Based Restricted Stock Awards	\$ —	\$ 1	\$ 2
Performance Share Units	\$ 62	\$ 15	\$ 10

The following table presents the unrecognized compensation cost and the related weighted average recognition period associated with unvested awards and units as of December 31, 2022.

	<u>Restricted Stock Awards/Units</u>	<u>Performance Share Units</u>
Unrecognized compensation cost	\$ 85	\$ 18
Weighted average period for recognition (years)	2.5	1.6

***Restricted Stock Awards and Units***

Restricted stock awards and units are subject to the terms, conditions, restrictions and limitations, if any, that the Compensation Committee deems appropriate, including restrictions on continued employment. Generally, the service requirement for vesting ranges from one to four years. Dividends declared during the vesting period with respect to restricted stock awards and units will not be paid until the underlying award vests. Devon estimates the fair values of restricted stock awards and units as the closing price of Devon's common stock on the grant date of the award, which is expensed over the applicable vesting period.

***Performance Share Units***

Performance share units are granted to certain members of Devon's management and employees. Each unit that vests entitles the recipient to one share of Devon common stock. The vesting of these units is based on comparing Devon's TSR to the TSR of a predetermined group of peer companies over the specified three-year performance period. Subject to certain limits, the vesting of units may be between zero and 200% of the units granted depending on Devon's TSR as compared to the peer group as of the end of the performance period.

At vesting, recipients receive dividend equivalents with respect to the number of units vested. The fair value of each performance share unit is estimated as of the date of grant using a Monte Carlo simulation with the following assumptions used for all grants made under the plan: (i) a risk-free interest rate based on U.S. Treasury rates as of the grant date; (ii) a volatility assumption based on the historical realized price volatility of Devon and the designated peer group; and (iii) an estimated ranking of Devon among the designated peer group. The fair value of the unit on the date of grant is expensed over the applicable vesting period. The following table presents the assumptions related to performance share units granted.

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Grant-date fair value	\$ 68.68	\$ 18.08	\$ 27.89
Risk-free interest rate	1.81%	0.18%	1.36%
Volatility factor	70.1%	67.8%	38.4%
Contractual term (years)	2.89	2.89	2.89

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

**5. Asset Impairments**

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

	Year Ended December 31,		
	2022	2021	2020
Proved oil and gas assets	\$ —	\$ —	\$ 2,664
Other assets	—	—	29
Total asset impairments	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,693</u>
Unproved impairments	<u>\$ 12</u>	<u>\$ 4</u>	<u>\$ 152</u>

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

Reduced demand from the COVID-19 pandemic caused an unprecedented downturn in the price of oil. As a result, Devon reduced 2020 planned capital spend by 45% in March 2020. With materially lower commodity prices and reduced near-term investment, Devon assessed all of its oil and gas common operating fields for impairment as of March 31, 2020. For impairment determination, Devon historically utilized NYMEX forward strip prices for the first five years and applied internally generated price forecasts for subsequent years. In response to the COVID-19 pandemic, the NYMEX forward market became highly illiquid as evidenced by materially reduced trading volumes for periods beyond 2021. Therefore, Devon supplemented the NYMEX forward strip prices with price forecasts published by reputable investment banks and reservoir engineering firms to estimate future revenues as of March 31, 2020. For WTI, the range of pricing utilized in the first ten years of impairment reserve cash flows was approximately \$23 to \$50, and the weighted average of WTI pricing was approximately \$39. For Henry Hub pricing utilized in the first ten years of impairment reserve cash flows, the range was approximately \$1.29 - \$2.63, with a weighted average Henry Hub price of approximately \$1.85. To measure the indicated impairment in the first quarter of 2020, Devon used a market-based weighted-average cost of capital of 9% to discount the future net cash flows. These inputs are categorized as level 3 in the fair value hierarchy.

Devon recognized approximately \$2.7 billion of proved asset impairments during the first quarter of 2020. These impairments related to the Anadarko Basin and Rockies fields in which the cost basis included acquisitions completed in 2016 and 2015, respectively, when commodity prices were much higher. During 2020, Devon recognized approximately \$29 million of non-oil and gas asset impairments.

***Unproved Impairments***

Due to the downturn in the commodity price environment and reduced near-term investment as discussed above, Devon recognized \$152 million of unproved impairments in 2020, primarily in the Rockies field. In 2022 and 2021, Devon allowed certain non-core acreage to expire without plans for development resulting in unproved impairments.

**6. Restructuring and Transaction Costs**

The following table summarizes Devon’s restructuring and transaction costs.

	Year Ended December 31,		
	2022	2021	2020
Restructuring costs	\$ —	\$ 210	\$ 41
Transaction costs	—	48	8
Total costs	<u>\$ —</u>	<u>\$ 258</u>	<u>\$ 49</u>

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

**2021 Merger Integration**

In conjunction with the Merger closing, Devon recognized \$210 million of restructuring expense in 2021 related to employee severance and termination benefits, settlements and curtailments from defined retirement benefits and contract terminations. Of these expenses, \$66 million related to non-cash charges which primarily consisted of settlements and curtailments of defined retirement benefits of \$41 million and the accelerated vesting of share-based grants of \$21 million. Additionally, in conjunction primarily with the Merger closing, Devon recognized \$48 million of transaction costs primarily comprised of bank, legal and accounting fees.

**Prior Years' Restructurings**

During 2020, Devon sold assets, reduced its workforce and recognized restructuring expenses of \$41 million. Of these expenses recognized in 2020, \$11 million and \$9 million resulted from accelerated vesting of share-based grants and settlements and curtailments of defined retirement benefits, respectively.

The following table summarizes Devon's restructuring liabilities. The remaining restructuring liability as of December 31, 2022 primarily relates to obligations associated with an abandoned Canadian firm transportation agreement.

	<u>Other Current Liabilities</u>	<u>Other Long-term Liabilities</u>	<u>Total</u>
Balance as of December 31, 2020	\$ 35	\$ 137	\$ 172
Changes related to prior years' restructurings	3	(26)	(23)
Balance as of December 31, 2021	<u>\$ 38</u>	<u>\$ 111</u>	<u>\$ 149</u>
Changes related to prior years' restructurings	(4)	(30)	(34)
Balance as of December 31, 2022	<u><u>\$ 34</u></u>	<u><u>\$ 81</u></u>	<u><u>\$ 115</u></u>

**7. Other, Net**

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

	<u>Year Ended December 31,</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Estimated future obligation under a performance guarantee	\$ (144)	\$ (18)	\$ —
Ukraine charitable pledge	20	—	—
Asset retirement obligation accretion	25	28	20
Severance and other non-income tax refunds	(5)	(39)	(40)
Other	9	(14)	(14)
Total	<u><u>\$ (95)</u></u>	<u><u>\$ (43)</u></u>	<u><u>\$ (34)</u></u>

Devon has guaranteed performance through 2026 for a minimum volume commitment associated with assets divested in 2018. In 2022, the purchaser of the assets was able to fully satisfy the \$35 million performance obligation due in 2022 and repay Devon \$44 million for shortfall payments paid by WPX and Devon in 2021 and 2020. Due to improved commodity prices, market conditions, and performance by the purchaser of the assets, Devon also reduced the estimated liability associated with this performance obligation by \$65 million in 2022. The effect of these cash collections and liability revisions resulted in a \$144 million total benefit in 2022.

During 2022, Devon paid approximately \$20 million for humanitarian relief for the Ukrainian people and surrounding countries supporting refugees.

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

During 2022, 2021 and 2020, Devon received severance and other non-income tax refunds of \$5 million, \$39 million and \$40 million, respectively, related to prior periods.

**8. Income Taxes**

***Income Tax Expense (Benefit)***

The following table presents Devon's income tax components.

	Year Ended December 31,		
	2022	2021	2020
Current income tax expense (benefit):			
U.S. federal	\$ 501	\$ 10	\$ (219)
Various states	65	9	—
Canada	(7)	(3)	—
Total current income tax expense (benefit)	<u>559</u>	<u>16</u>	<u>(219)</u>
Deferred income tax expense (benefit):			
U.S. federal	1,090	18	(304)
Various states	82	22	(24)
Canada	7	9	—
Total deferred income tax expense (benefit)	<u>1,179</u>	<u>49</u>	<u>(328)</u>
Total income tax expense (benefit)	<u>\$ 1,738</u>	<u>\$ 65</u>	<u>\$ (547)</u>

Total income tax expense differed from the amounts computed by applying the U.S. federal income tax rate to earnings (loss) from continuing operations before income taxes as a result of the following:

	Year Ended December 31,		
	2022	2021	2020
Earnings (loss) from continuing operations before income taxes	\$ 7,775	\$ 2,898	\$ (3,090)
U.S. statutory income tax rate	21%	21%	21%
Change in tax legislation	0%	0%	4%
State income taxes	1%	1%	1%
Other	0%	2%	(1%)
Deferred tax asset valuation allowance	0%	(22%)	(7%)
Effective income tax rate	<u>22%</u>	<u>2%</u>	<u>18%</u>

Devon and its subsidiaries are subject to U.S. federal income tax as well as income or capital taxes in various state and foreign jurisdictions. Devon's tax reserves are related to tax years that may be subject to examinations by the relevant taxing authority. Devon is under audit in the U.S. and various foreign jurisdictions as part of its normal course of business.

Devon assesses the realizability of its deferred tax assets. If Devon concludes that it is more likely than not that some portion or all of the deferred tax assets will not be realized, the asset is reduced by a valuation allowance. Numerous judgments and assumptions are inherent in the determination of future taxable income, including factors such as future operating conditions (particularly as related to prevailing oil and gas prices) and changing tax laws.

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

*2022*

On August 16, 2022, the IRA was signed into law and included various income tax related provisions with effective dates generally beginning in 2023. Among the enacted provisions are a 15% corporate alternative minimum tax (“CAMT”) and several new and expanded clean energy credits and incentives. The CAMT will be assessed on applicable corporations with an average annual adjusted financial statement income that exceeds \$1 billion for the preceding three consecutive years. Devon has made an accounting policy election to not consider the effects of the CAMT on the realizability of its deferred tax assets, carryforwards and other tax credits and will instead account for any such effects as a period cost when they arise.

*2021*

Prior to 2021, Devon maintained a valuation allowance against all U.S. federal deferred tax assets. Devon recognized approximately \$250 million of deferred tax liabilities to account for the Merger. The recognition of these deferred tax liabilities caused a decrease to Devon’s net deferred tax assets and a corresponding decrease to the valuation allowance Devon had recognized on its U.S. federal deferred tax assets.

Due to significant increases in commodity pricing and projections of future income, in the fourth quarter of 2021, Devon reassessed its evaluation of the realizability of deferred tax assets in future years and determined that a U.S. federal valuation allowance was no longer necessary. As such, Devon removed its remaining \$84 million U.S. federal valuation allowance.

*2020*

The Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) became law on March 27, 2020. The CARES Act allows net operating losses generated in taxable years beginning after December 31, 2017 and before January 1, 2021 to be carried back five years to offset taxable income and recoup previously paid taxes. As a result, Devon carried net operating losses generated in 2019 and 2020 back to 2014 and 2015, respectively, and recorded a \$220 million current income tax benefit, partially offset by a \$107 million deferred income tax expense. The net \$113 million income tax benefit recorded in 2020 is the result of the higher U.S. federal income tax rate in the carry back periods.

Throughout 2019, Devon maintained a valuation allowance against certain deferred tax assets, including certain tax credits and state net operating losses. Reduced demand from the COVID-19 pandemic caused an unprecedented downturn in the commodity price environment in 2020. As a result, Devon recorded significant impairments during the first quarter of 2020. Devon reassessed its position and recorded a 100% valuation allowance against all U.S. federal and state net deferred tax assets and maintained a full valuation allowance position throughout 2020.

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

***Deferred Tax Assets and Liabilities***

The following table presents the tax effects of temporary differences that gave rise to Devon's deferred tax assets and liabilities.

	December 31,	
	2022	2021
Deferred tax assets:		
Net operating loss carryforwards	\$ 526	\$ 1,075
Capital loss carryforwards	523	559
Accrued liabilities	209	262
Fair value of derivative financial instruments	—	129
Asset retirement obligation	119	109
Other, including tax credits	14	138
Total deferred tax assets before valuation allowance	<u>1,391</u>	<u>2,272</u>
Less: valuation allowance	(814)	(893)
Net deferred tax assets	<u>577</u>	<u>1,379</u>
Deferred tax liabilities:		
Property and equipment	(1,969)	(1,630)
Fair value of derivative financial instruments	(33)	—
Other	(38)	(29)
Total deferred tax liabilities	<u>(2,040)</u>	<u>(1,659)</u>
Net deferred tax asset (liability)	<u>\$ (1,463)</u>	<u>\$ (280)</u>

At December 31, 2022, Devon has recognized \$526 million of deferred tax assets related to various net operating loss carryforwards available to offset future taxable income. Devon has \$221 million of U.S. federal net operating loss carryforwards, of which \$199 million expires between 2030 and 2037, and \$22 million does not expire. Devon also has \$305 million of state net operating loss carryforwards primarily expiring between 2023 and 2041, \$268 million of which are covered by a valuation allowance.

Devon's net operating losses acquired from WPX as a result of the Merger are subject to limitation pursuant to Section 382 of the Internal Revenue Code of 1986, which relates to limitations upon the 50% or greater change of ownership of an entity during any three-year period. The Company anticipates utilizing these net operating losses prior to their expiration.

Devon's 2022 capital loss carryforward deferred tax assets, primarily related to Canada, are fully covered by a valuation allowance.

***Unrecognized Tax Benefits***

The following table presents changes in Devon's unrecognized tax benefits.

	December 31,	
	2022	2021
	(Millions)	
Balance at beginning of year	\$ 36	\$ 23
Tax positions taken in prior periods	51	5
Assumed WPX tax positions taken in prior periods	—	8
Settlements	(14)	—
Balance at end of year	<u>\$ 73</u>	<u>\$ 36</u>



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

Devon's 2022 unrecognized tax benefit balance included no interest. At December 31, 2022 and December 31, 2021, there were \$73 million and \$36 million, respectively, of current unrecognized tax benefits that if recognized would affect the annual effective tax rate. Deferred unrecognized tax benefits of \$42 million at December 31, 2021 are not included in the table above but are accounted for in Devon's deferred tax disclosure above. Due to utilization of tax attributes in 2022, \$42 million of Devon's deferred unrecognized tax benefits were reclassified as current unrecognized tax benefits.

Included below is a summary of the tax years, by jurisdiction, that remain subject to examination by taxing authorities.

<u>Jurisdiction</u>	<u>Tax Years Open</u>
U.S. federal	2015-2022
Various U.S. states	2018-2022
Canada	2006-2022

Certain statute of limitation expirations are scheduled to occur in the next twelve months. However, Devon is currently in various stages of the administrative review process for certain open tax years. In addition, Devon is currently subject to various income tax audits that have not reached the administrative review process.

**9. Net Earnings (Loss) Per Share from Continuing Operations**

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

	<u>Year Ended December 31,</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net earnings (loss) from continuing operations:			
Net earnings (loss) from continuing operations	\$ 6,015	\$ 2,813	\$ (2,552)
Attributable to participating securities	(57)	(30)	(4)
Basic and diluted earnings (loss) from continuing operations	<u>\$ 5,958</u>	<u>\$ 2,783</u>	<u>\$ (2,556)</u>
Common shares:			
Common shares outstanding - total	657	670	383
Attributable to participating securities	(6)	(7)	(6)
Common shares outstanding - basic	651	663	377
Dilutive effect of potential common shares issuable	2	2	—
Common shares outstanding - diluted	<u>653</u>	<u>665</u>	<u>377</u>
Net earnings (loss) per share from continuing operations:			
Basic	\$ 9.15	\$ 4.20	\$ (6.78)
Diluted	\$ 9.12	\$ 4.19	\$ (6.78)

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

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

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

	Year Ended December 31,		
	2022	2021	2020
Pension and postretirement benefit plans:			
Beginning accumulated pension and postretirement benefits	\$ (132)	\$ (127)	\$ (119)
Net actuarial gain (loss) and prior service cost arising in current year	15	(35)	(34)
Recognition of net actuarial loss and prior service cost in earnings <sup>(1)</sup>	6	3	7
Curtailment and settlement of pension benefits <sup>(2)</sup>	—	19	16
Other <sup>(3)</sup>	—	7	—
Income tax benefit (expense)	(5)	1	3
Accumulated other comprehensive loss, net of tax	<u>\$ (116)</u>	<u>\$ (132)</u>	<u>\$ (127)</u>

- (1) Recognition of net actuarial loss and prior service cost are included in the computation of net periodic benefit cost, which is a component of other, net in the accompanying consolidated statements of comprehensive earnings. See Note 17 for additional details.
- (2) In 2021, the Merger triggered settlement payments to certain plan participants, and the expense associated with this settlement is recognized as a component of restructuring and transaction costs in the accompanying consolidated statements of comprehensive earnings.
- (3) Other includes a rereasurement of the pension obligation due to the Merger, which was partially offset by a change in mortality assumption.

**11. Supplemental Information to Statements of Cash Flows**

	Year Ended December 31,		
	2022	2021	2020
Changes in assets and liabilities, net:			
Accounts receivable	\$ (142)	\$ (526)	\$ 231
Other current assets	(119)	30	(97)
Other long-term assets	90	12	(9)
Accounts payable and revenues and royalties payable	152	539	(109)
Other current liabilities	(97)	(18)	(68)
Other long-term liabilities	(110)	(153)	(43)
Total	<u>\$ (226)</u>	<u>\$ (116)</u>	<u>\$ (95)</u>
Supplementary cash flow data - total operations:			
Interest paid	\$ 370	\$ 404	\$ 259
Income taxes paid (refunded)	\$ 438	\$ (116)	\$ 171

As of December 31, 2022 and 2021, Devon had approximately \$413 million and \$205 million, respectively, of accrued capital expenditures included in total property and equipment, net and accounts payable on the consolidated balance sheets.

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

**12. Accounts Receivable**

Components of accounts receivable include the following:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Oil, gas and NGL sales	\$ 1,153	\$ 984
Joint interest billings	162	158
Marketing and midstream revenues	428	370
Other	33	38
Gross accounts receivable	<u>1,776</u>	<u>1,550</u>
Allowance for doubtful accounts	(9)	(7)
Net accounts receivable	<u>\$ 1,767</u>	<u>\$ 1,543</u>

**13. Property, Plant and Equipment**

***Capitalized Costs***

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

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Property and equipment:		
Proved	\$ 42,734	\$ 38,051
Unproved and properties under development	<u>1,548</u>	<u>1,081</u>
Total oil and gas	44,282	39,132
Less accumulated DD&A	<u>(27,715)</u>	<u>(25,596)</u>
Oil and gas property and equipment, net	16,567	13,536
Other property and equipment	2,280	2,139
Less accumulated DD&A	<u>(741)</u>	<u>(667)</u>
Other property and equipment, net <sup>(1)</sup>	1,539	1,472
Property and equipment, net	<u>\$ 18,106</u>	<u>\$ 15,008</u>

(1) \$109 million and \$111 million related to CDM in 2022 and 2021, respectively.

***Suspended Exploratory Well Costs***

The following summarizes the changes in suspended exploratory well costs for the three years ended December 31, 2022.

	<u>Year Ended December 31,</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
	(Millions)		
Beginning balance	\$ 66	\$ 18	\$ 82
Acquired WPX costs	—	34	—
Additions pending determination of proved reserves	462	206	148
Charges to exploration expense	(1)	(2)	(3)
Reclassifications to proved properties	<u>(401)</u>	<u>(190)</u>	<u>(209)</u>
Ending balance	<u>\$ 126</u>	<u>\$ 66</u>	<u>\$ 18</u>

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

Devon had no projects with suspended exploratory well costs capitalized for a period greater than one year since the completion of drilling as of December 31, 2022, 2021 and 2020.

**14. Debt and Related Expenses**

See below for a summary of debt instruments and balances. The notes and debentures are senior, unsecured obligations of Devon unless otherwise noted in the table below.

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
8.25% due August 1, 2023 <sup>(1)</sup>	\$ 242	\$ 242
5.25% due September 15, 2024 <sup>(1)</sup>	472	472
5.85% due December 15, 2025	485	485
7.50% due September 15, 2027 <sup>(2)</sup>	73	73
5.25% due October 15, 2027 <sup>(1)</sup>	390	390
5.875% due June 15, 2028 <sup>(1)</sup>	325	325
4.50% due January 15, 2030 <sup>(1)</sup>	585	585
7.875% due September 30, 2031	675	675
7.95% due April 15, 2032	366	366
5.60% due July 15, 2041	1,250	1,250
4.75% due May 15, 2042	750	750
5.00% due June 15, 2045	750	750
Net premium on debentures and notes	103	149
Debt issuance costs	(26)	(30)
Total debt	<u>\$ 6,440</u>	<u>\$ 6,482</u>
Less amount classified as short-term debt	251	—
Total long-term debt	<u>\$ 6,189</u>	<u>\$ 6,482</u>

- (1) These instruments were assumed by Devon in January 2021 in conjunction with the Merger. Approximately \$50 million of these instruments remain the unsecured and unsubordinated obligation of WPX, a wholly-owned subsidiary of Devon.
- (2) This instrument was assumed by Devon in April 2003 in conjunction with the merger with Ocean Energy. The fair value and effective rate of this note at the time assumed was \$169 million and 6.5%, respectively. This instrument is the unsecured and unsubordinated obligation of Devon OEI Operating, L.L.C. and is guaranteed by Devon Energy Production Company, L.P. Each of these entities is a wholly-owned subsidiary of Devon.

Debt maturities as of December 31, 2022, excluding debt issuance costs, premiums and discounts, are as follows:

	<u>Total</u>
2023	\$ 242
2024	472
2025	485
2026	—
2027	463
Thereafter	4,701
Total	<u>\$ 6,363</u>

On or after the dates in the following schedule, Devon has the option to redeem the notes, in whole or in part, at the applicable redemption prices set forth in the indenture documents, plus accrued and unpaid interest thereon to the redemption date as more fully described in the indenture documents governing the notes to be redeemed. At any

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

time prior to the dates in the following schedule, Devon has the option to redeem some or all of the notes at a specified "make whole" premium as described in such documents. Other than with respect to the notes identified in the schedule below, Devon's senior notes generally include more limited redemption provisions, such as "par call" rights near the maturity date or "make whole" redemption rights.

	<b>Optional Redemption</b>
5.25% due October 15, 2027	October 15, 2022
5.875% due June 15, 2028	June 15, 2023
4.50% due January 15, 2030	January 15, 2025

***Retirement of Senior Notes***

During 2021, Devon redeemed \$43 million of the 6.00% senior notes due 2022, \$175 million of the 5.875% senior notes due 2028, \$315 million of the 4.50% senior notes due 2030, \$210 million of the 5.25% senior notes due 2027 and \$500 million of the 5.75% senior notes due 2026. In 2021, Devon recognized \$30 million of gains on early retirement of debt, consisting of \$89 million of non-cash premium accelerations, partially offset by \$59 million of cash retirement costs. The gain on early retirement is included in financing costs, net in the consolidated statements of comprehensive earnings.

***Credit Lines***

Devon has a \$3.0 billion Senior Credit Facility. As of December 31, 2022, Devon had \$2 million in outstanding letters of credit under the Senior Credit Facility. There were no borrowings under the Senior Credit Facility as of December 31, 2022. The Senior Credit Facility matures on October 5, 2024, with the options to extend the maturity date by two additional one-year periods subject to lender consent. The maximum borrowing capacity of the Senior Credit Facility becomes \$2.8 billion after October 5, 2023. Amounts borrowed under the Senior Credit Facility may, at the election of Devon, bear interest at various fixed rate options for periods of up to twelve months. Such rates are generally less than the prime rate. However, Devon may elect to borrow at the prime rate. The Senior Credit Facility currently provides for an annual facility fee of approximately \$5 million.

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%. The credit agreement contains definitions of total funded debt and total capitalization that include adjustments to the respective amounts reported in the accompanying consolidated financial statements. For example, total capitalization is adjusted to add back certain noncash financial write-downs, such as asset impairments. As of December 31, 2022, Devon was in compliance with this covenant with a debt-to-capitalization ratio of 23%.

***Commercial Paper***

Devon's Senior Credit Facility supports its \$3.0 billion of short-term credit under its commercial paper program. Commercial paper debt generally has a maturity of between 1 and 90 days, although it can have a maturity of up to 365 days, and bears interest at rates agreed to at the time of the borrowing. As of December 31, 2022, Devon had no outstanding commercial paper borrowings.

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

***Net Financing Costs***

The following schedule includes the components of net financing costs.

	Year Ended December 31,		
	2022	2021	2020
Interest based on debt outstanding	\$ 370	\$ 388	\$ 259
Gain on early retirement of debt	—	(30)	—
Interest income	(38)	(2)	(12)
Other	(23)	(27)	23
Total net financing costs	<u>\$ 309</u>	<u>\$ 329</u>	<u>\$ 270</u>

**15. Leases**

Devon's right-of-use operating lease assets are for certain leases related to real estate, drilling rigs and other equipment related to the exploration, development and production of oil and gas. Devon's right-of-use financing lease assets are related to real estate. Certain of Devon's lease agreements include variable payments based on usage or rental payments adjusted periodically for inflation. Devon's lease agreements do not contain any material residual value guarantees or restrictive covenants.

The following table presents Devon's right-of-use assets and lease liabilities.

	December 31, 2022			December 31, 2021		
	Finance	Operating	Total	Finance	Operating	Total
Right-of-use assets	\$ 203	\$ 21	\$ 224	\$ 211	\$ 24	\$ 235
Lease liabilities:						
Current lease liabilities <sup>(1)</sup>	\$ 8	\$ 13	\$ 21	\$ 8	\$ 18	\$ 26
Long-term lease liabilities	249	8	257	247	5	252
Total lease liabilities	<u>\$ 257</u>	<u>\$ 21</u>	<u>\$ 278</u>	<u>\$ 255</u>	<u>\$ 23</u>	<u>\$ 278</u>

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

The following table presents Devon's total lease cost.

		Year Ended December 31,		
		2022	2021	2020
Operating lease cost	Property and equipment; LOE; G&A	\$ 22	\$ 25	\$ 10
Short-term lease cost <sup>(1)</sup>	Property and equipment; LOE; G&A	141	89	45
Financing lease cost:				
Amortization of right-of-use assets	DD&A	8	8	8
Interest on lease liabilities	Net financing costs	11	11	11
Variable lease cost	G&A	—	(4)	—
Lease income	G&A	(8)	(8)	(8)
Net lease cost		<u>\$ 173</u>	<u>\$ 121</u>	<u>\$ 66</u>

(1) Short-term lease cost excludes leases with terms of one month or less.

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

The following table presents Devon’s additional lease information.

	Year Ended December 31,			
	2022		2021	
	Finance	Operating	Finance	Operating
Cash outflows for lease liabilities:				
Operating cash flows	\$ 8	\$ 14	\$ 7	\$ 15
Investing cash flows	\$ —	\$ 9	\$ —	\$ 9
Right-of-use assets obtained in exchange for new lease liabilities	\$ —	\$ 20	\$ —	\$ 7
Weighted average remaining lease term (years)	5.0	1.7	6.0	1.5
Weighted average discount rate	4.2%	2.8%	4.2%	1.3%

The following table presents Devon’s maturity analysis as of December 31, 2022 for leases expiring in each of the next 5 years and thereafter.

	Finance	Operating	Total
2023	\$ 8	\$ 13	\$ 21
2024	8	7	15
2025	8	1	9
2026	8	—	8
2027	8	—	8
Thereafter	272	—	272
Total lease payments	312	21	333
Less: interest	(55)	—	(55)
Present value of lease liabilities	\$ 257	\$ 21	\$ 278

Devon rents or subleases certain real estate to third parties. The following table presents Devon’s expected lease income as of December 31, 2022 for each of the next 5 years and thereafter.

	Operating Lease Income
2023	\$ 10
2024	10
2025	13
2026	13
2027	13
Thereafter	72
Total	\$ 131

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

**16. Asset Retirement Obligations**

The following table presents the changes in asset retirement obligations.

	Year Ended December 31,	
	2022	2021
Asset retirement obligations as of beginning of period	\$ 485	\$ 369
Liabilities incurred and assumed through acquisitions	73	134
Liabilities settled and divested	(19)	(57)
Revision of estimated obligation	(35)	11
Accretion expense on discounted obligation	25	28
Asset retirement obligations as of end of period	529	485
Less current portion	18	17
Asset retirement obligations, long-term	<u>\$ 511</u>	<u>\$ 468</u>

During 2022, Devon increased its asset retirement obligations by approximately \$38 million due to asset acquisitions in the Eagle Ford and Williston Basin. During this same time period, Devon reduced its asset retirement obligations by \$35 million primarily due to extended retirement dates for oil and gas assets, partially offset by inflation-driven increases to current settlement costs. During 2021, Devon assumed \$98 million of WPX asset retirement obligations.

**17. Retirement Plans**

***Defined Contribution Plans***

Devon sponsors defined contribution plans covering its employees. Such plans include its 401(k) plan and enhanced contribution plan. Devon makes matching contributions and additional retirement contributions, with the matching contributions being primarily based upon percentages of annual compensation and years of service. In addition, each plan is subject to regulatory limitations by the U.S. government. Devon contributed \$37 million, \$33 million and \$33 million to these plans in 2022, 2021 and 2020, respectively.

***Defined Benefit Plans***

Devon has various non-contributory defined benefit pension plans, including qualified plans and nonqualified plans covering eligible employees and former employees meeting certain age and service requirements. Benefits under the defined benefit plans have been closed to new employees and effective, as of December 31, 2020, Devon's benefits committee approved a freeze of all future benefit accruals under the plans.

Benefits are primarily funded from assets held in the plans' trusts.

Devon's investment objective for its plans' assets is to achieve stability of the funded status while providing long-term growth of invested capital and income to ensure benefit payments can be funded when required. Devon has established certain investment strategies, including target allocation percentages and permitted and prohibited investments, designed to mitigate risks inherent with investing. Devon's target allocations for its plan assets are 90% fixed income and 10% equity. See the following discussion for Devon's pension assets by asset class.

*Fixed-income* – Devon's fixed-income securities consist of U.S. Treasury obligations, bonds issued by investment-grade companies from diverse industries and asset-backed securities. These fixed-income securities do not consistently trade actively in an established market. The fair values of these Level 2 securities are estimated



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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

based upon rates available for securities with similar terms and maturity when active trading is not available and were \$384 million and \$590 million at December 31, 2022 and 2021, respectively.

*Equity* – Devon’s equity securities include commingled global equity funds that invest in large, mid and small capitalization stocks across the world’s developed and emerging markets and international large cap equity securities. These equity securities can be sold on demand but are not actively traded. The fair values of these securities are based upon the net asset values provided by the investment managers and were \$49 million and \$67 million at December 31, 2022 and 2021, respectively.

*Other* – Devon’s other securities include short-term investment funds that invest both long and short term using a variety of investment strategies. The fair value of these securities is based upon the net asset values provided by investment managers and were \$25 million and \$14 million at December 31, 2022 and 2021, respectively.

***Defined Postretirement Plans***

Devon also has defined benefit postretirement plans that provide benefits for substantially all qualifying retirees. Benefit obligations for such plans are estimated based on Devon’s future cost-sharing intentions. Devon’s funding policy for the plans is to fund the benefits as they become payable with available cash and cash equivalents.

***Benefit Obligations and Funded Status***

The following table summarizes the benefit obligations, assets, funded status and balance sheet impacts associated with Devon’s defined pension and postretirement plans. Devon’s benefit obligations and plan assets are

**DEVON ENERGY CORPORATION AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

measured each year as of December 31. The accumulated benefit obligation for pension plans approximated the projected benefit obligation at December 31, 2022 and 2021.

	Pension Benefits		Postretirement Benefits	
	2022	2021	2022	2021
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ 880	\$ 981	\$ 12	\$ 13
Service cost	—	—	—	—
Interest cost	19	18	—	—
Actuarial gain	(215)	(18)	(4)	(1)
Plan amendments	—	—	—	1
Plan curtailments	—	22	—	—
Plan settlements	—	(73)	—	—
Participant contributions	—	—	1	2
Benefits paid	(55)	(50)	(2)	(3)
Benefit obligation at end of year	629	880	7	12
Change in plan assets:				
Fair value of plan assets at beginning of year	671	745	—	—
Actual return on plan assets	(172)	(11)	—	—
Employer contributions	14	60	1	1
Participant contributions	—	—	1	2
Plan settlements	—	(73)	—	—
Benefits paid	(55)	(50)	(2)	(3)
Fair value of plan assets at end of year	458	671	—	—
Funded status at end of year	\$ (171)	\$ (209)	\$ (7)	\$ (12)
Amounts recognized in balance sheet:				
Other long-term assets	\$ —	\$ 6	\$ —	\$ —
Other current liabilities	(14)	(14)	(1)	(2)
Other long-term liabilities	(157)	(201)	(6)	(9)
Net amount	\$ (171)	\$ (209)	\$ (7)	\$ (11)
Amounts recognized in accumulated other comprehensive earnings:				
Net actuarial loss (gain)	\$ 189	\$ 206	\$ (15)	\$ (12)
Prior service cost	—	—	1	1
Total	\$ 189	\$ 206	\$ (14)	\$ (11)

During 2021, non-qualified plans experienced curtailments due to the Merger and both qualified and non-qualified plans experienced a partial plan settlement due to continued lump sum payments.

Certain of Devon's pension plans have a combined projected benefit obligation or accumulated benefit obligation in excess of plan assets at December 31, 2022, and December 31, 2021, as presented in the table below.

	December 31,	
	2022	2021
Projected and accumulated benefit obligation	\$ 629	\$ 215
Fair value of plan assets	\$ 458	\$ —

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

The following table presents the components of net periodic benefit cost and other comprehensive earnings.

	Pension Benefits			Postretirement Benefits		
	2022	2021	2020	2022	2021	2020
Net periodic benefit cost:						
Service cost	\$ —	\$ —	\$ 5	\$ —	\$ —	\$ —
Interest cost	19	18	25	—	—	—
Expected return on plan assets	(31)	(34)	(41)	—	—	—
Recognition of net actuarial loss (gain) <sup>(1)</sup>	6	4	5	(1)	(1)	—
Recognition of prior service cost <sup>(1)</sup>	—	—	3	—	—	(1)
Total net periodic benefit cost <sup>(2)</sup>	(6)	(12)	(3)	(1)	(1)	(1)
Other comprehensive loss (earnings):						
Actuarial loss (gain) arising in current year	(11)	28	27	(4)	(1)	(1)
Prior service cost arising in current year	—	—	2	—	1	—
Recognition of net actuarial gain (loss), including settlement expense, in net periodic benefit cost <sup>(3)</sup>	(6)	(23)	(9)	1	1	1
Recognition of prior service cost, including curtailment, in net periodic benefit cost <sup>(3)</sup>	—	—	(7)	—	—	1
Total other comprehensive loss (earnings)	(17)	5	13	(3)	1	1
Total	\$ (23)	\$ (7)	\$ 10	\$ (4)	\$ —	\$ —

- (1) These net periodic benefit costs were reclassified out of other comprehensive earnings in the current period.  
(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, net in the accompanying consolidated statements of comprehensive earnings.  
(3) These amounts include restructuring costs that were reclassified out of other comprehensive earnings in 2021 and 2020. See Note 6 for further discussion.

**Assumptions**

	Pension Benefits			Postretirement Benefits		
	2022	2021	2020	2022	2021	2020
Assumptions to determine benefit obligations:						
Discount rate	5.78%	2.71%	2.38%	5.71%	2.34%	1.82%
Rate of compensation increase	N/A	N/A	2.50%	N/A	N/A	N/A
Assumptions to determine net periodic benefit cost:						
Discount rate - service cost	N/A	N/A	3.47%	2.83%	2.51%	3.25%
Discount rate - interest cost	2.18%	2.11%	2.75%	1.57%	1.01%	2.31%
Rate of compensation increase	N/A	N/A	2.50%	N/A	N/A	N/A
Expected return on plan assets	4.80%	5.00%	6.00%	N/A	N/A	N/A

*Discount rate* – Future pension and post-retirement obligations are discounted based on the rate at which obligations could be effectively settled, considering the timing of expected future cash flows related to the plans. This rate is based on high-quality bond yields, after allowing for call and default risk.

*Expected return on plan assets* – This was determined by evaluating input from external consultants and economists, as well as long-term inflation assumptions and consideration of target allocation of investment types.

*Mortality rate* – Devon utilized the Society of Actuaries produced mortality tables.

*Other assumptions* – For measurement of the 2022 benefit obligation for the other postretirement medical plans, a 6.6% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2023.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS – (Continued)**

The rate was assumed to decrease annually to an ultimate rate of 5% in the year 2029 and remain at that level thereafter.

***Expected Cash Flows***

Devon expects benefit plan payments to average approximately \$53 million a year for the next five years and \$249 million total for the five years thereafter. Of these payments to be paid in 2023, \$15 million is expected to be funded from Devon’s available cash, cash equivalents and other assets.

**18. Stockholders’ Equity**

The authorized capital stock of Devon consists of 1.0 billion shares of common stock, par value \$0.10 per share, and 4.5 million shares of preferred stock, par value \$1.00 per share. The preferred stock may be issued in one or more series, and the terms and rights of such stock will be determined by the Board of Directors.

***Share Repurchase Program***

In December 2019, Devon announced a share repurchase program of \$1.0 billion with a December 31, 2020 expiration date. In November 2021, Devon announced a new share repurchase program of \$1.0 billion with a December 31, 2022 expiration date. In February 2022, the Board of Directors authorized an expansion of the share repurchase program to \$1.6 billion, and in May 2022, authorized a further expansion to \$2.0 billion and extended the expiration date to May 4, 2023.

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

	<u>Total Number of Shares Purchased</u>	<u>Dollar Value of Shares Purchased</u>	<u>Average Price Paid per Share</u>
<b>\$1.0 Billion Plan (Closed)</b>			
2020	2,243	\$ 38	\$ 16.85
Total	<u>2,243</u>	<u>\$ 38</u>	<u>\$ 16.85</u>
<b>\$2.0 Billion Plan</b>			
2021	13,983	\$ 589	\$ 42.15
2022	11,708	718	61.36
Total plan	<u>25,691</u>	<u>\$ 1,307</u>	<u>\$ 50.90</u>

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***Dividends***

Devon is committed to paying a quarterly dividend at a fixed rate and a variable quarterly dividend, which is dependent on quarterly cash flows, among other factors. The following table summarizes the dividends Devon has paid on its common stock in 2022, 2021 and 2020, respectively.

	<u>Fixed</u>	<u>Variable</u>	<u>Total</u>	<u>Rate Per Share</u>
2022:				
First quarter	\$ 109	\$ 558	\$ 667	\$ 1.00
Second quarter	105	725	830	\$ 1.27
Third quarter	117	890	1,007	\$ 1.55
Fourth quarter	117	758	875	\$ 1.35
Total year-to-date	<u>\$ 448</u>	<u>\$ 2,931</u>	<u>\$ 3,379</u>	
2021:				
First quarter	\$ 76	\$ 127	\$ 203	\$ 0.30
Second quarter	75	154	229	\$ 0.34
Third quarter	74	255	329	\$ 0.49
Fourth quarter	73	481	554	\$ 0.84
Total year-to-date	<u>\$ 298</u>	<u>\$ 1,017</u>	<u>\$ 1,315</u>	
2020:				
First quarter	\$ 34	\$ —	\$ 34	\$ 0.09
Second quarter	42	—	42	\$ 0.11
Third quarter	43	—	43	\$ 0.11
Fourth quarter	41	97	138	\$ 0.37
Total year-to-date	<u>\$ 160</u>	<u>\$ 97</u>	<u>\$ 257</u>	

In February 2023, Devon raised its fixed quarterly dividend by 11%, to \$0.20 per share and announced a cash dividend in the amount of \$0.89 per share payable in the first quarter of 2023. The dividend consists of a fixed quarterly dividend in the amount of approximately \$130 million (or \$0.20 per share) and a variable quarterly dividend in the amount of approximately \$449 million (or \$0.69 per share).

Devon raised its fixed quarterly dividend by 45%, to \$0.16 per share, beginning in the first quarter of 2022, and again by 13%, to \$0.18 per share, beginning in the third quarter of 2022. Devon also increased its fixed quarterly dividend rate in the second quarter of 2020 from \$0.09 to \$0.11.

In the fourth quarter of 2020, Devon paid a \$97 million (or \$0.26 per share) special dividend.

***Noncontrolling Interests***

The noncontrolling interests' share of CDM's net earnings and the contributions from and distributions to the noncontrolling interests are presented as components of equity.

**19. Discontinued Operations**

On December 17, 2019, Devon announced that it had entered into an agreement to sell its Barnett Shale assets to BKV. Devon concluded that the transaction was a strategic shift and classified the results of operations and cash flows related to its Barnett Shale assets as discontinued operations on its consolidated financial statements.

In conjunction with the amended divestiture agreement in April 2020, Devon recognized a \$182 million asset impairment related to the Barnett Shale assets in 2020, primarily due to the difference between the net carrying

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

value and the purchase price, net of estimated customary purchase price adjustments, which qualifies as a level 2 fair value measurement.

On October 1, 2020, Devon completed the sale of its Barnett Shale assets to BKV for proceeds, net of purchase price adjustments, of \$490 million. Additionally, the agreement provides for contingent earnout payments to Devon of up to \$260 million based upon future commodity prices, with upside participation beginning at a \$2.75 Henry Hub natural gas price or a \$50 WTI oil price. The contingent payment period commenced on January 1, 2021 and has a term of four years. Devon received \$65 million in contingent earnout payments related to this transaction in the first quarters of 2023 and 2022 and could receive up to an additional \$130 million in contingent earnout payments for the remaining performance periods depending on future commodity prices. The valuation of the future contingent earnout payments included within other current assets and other long-term assets in the December 31, 2022 balance sheet was \$65 million and \$88 million, respectively. During 2022 and 2021, Devon recorded a \$42 million and a \$110 million increase, respectively, to the fair value within asset dispositions on the consolidated statements of comprehensive earnings related to these payments. These values were derived utilizing a Monte Carlo valuation model and qualify as a level 3 fair value measurement.

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

<u>Year ended December 31, 2020</u>	<u>Total</u>
Oil, gas and NGL sales	\$ 263
Total revenues	<u>263</u>
Production expenses	214
Asset impairments	182
Asset dispositions	1
General and administrative expenses	3
Financing costs, net	(3)
Restructuring and transaction costs	9
Other expenses	9
Total expenses	<u>415</u>
Loss from discontinued operations before income taxes	(152)
Income tax benefit	(24)
Loss from discontinued operations, net of tax	<u>\$ (128)</u>

**20. Commitments and Contingencies**

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

***Royalty Matters***

Numerous oil and natural gas producers and related parties, including Devon, have been named in various lawsuits alleging royalty underpayments. Devon is currently named as a defendant in a number of such lawsuits, including some lawsuits in which the plaintiffs seek to certify classes of similarly situated plaintiffs. Among the allegations typically asserted in these suits are claims that Devon used below-market prices, made improper deductions, paid royalty proceeds in an untimely manner without including required interest, 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

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

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.

***Environmental and Climate Change Matters***

Devon's business is subject to numerous federal, state, tribal and local laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal fines and penalties, as well as remediation costs. Although Devon believes that it is in substantial compliance with applicable environmental laws and regulations and that continued compliance with existing requirements will not have a material adverse impact on its business, there can be no assurance that this will continue in the future.

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

The State of Delaware and various municipalities and other governmental and private parties in California have filed legal proceedings against numerous oil and gas companies, including Devon, seeking relief to abate alleged impacts of climate change. These proceedings include far-reaching claims for monetary damages and injunctive relief. Although Devon cannot predict the ultimate outcome of these matters, Devon denies the allegations asserted in these lawsuits and intends to vigorously defend against these claims.

***Other Indemnifications and Legacy Matters***

Pursuant to various sale agreements relating to divested businesses and assets, Devon has indemnified various purchasers against liabilities that they may incur with respect to the businesses and assets acquired from Devon. Additionally, federal, state and other laws in areas of former operations may require previous operators (including corporate successors of previous operators) to perform or make payments in certain circumstances where the current operator may no longer be able to satisfy the applicable obligation. Such obligations may include plugging and abandoning wells, removing production facilities or performing requirements under surface agreements in existence at the time of disposition.

In November 2020, the Department of the Interior, Bureau of Safety and Environmental Enforcement ordered several oil and gas operators, including Devon, to perform decommissioning and reclamation activities related to two California offshore oil and gas production platforms and related facilities. The current operator and owner of the platforms contends that it does not have the financial ability to perform these obligations and relinquished the related federal lease in October 2020. In response to the apparent insolvency of the current operator, the government has ordered the former operators and alleged former lease record title owners to decommission the platforms and related facilities. The government contends that an alleged corporate predecessor of Devon owned a partial interest in the subject lease and platforms. Although Devon cannot predict the ultimate outcome of this matter, Devon denies any obligation to decommission the subject platforms, has appealed the order, and believes any decommissioning obligation related to the subject platforms should be assumed by others.

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

**Commitments**

The following table presents Devon’s commitments that have initial or remaining noncancelable terms in excess of one year as of December 31, 2022.

Year Ending December 31,	Drilling and Facility Obligations	Operational Agreements	Office and Equipment Leases and Other
2023	\$ 273	\$ 470	\$ 118
2024	42	491	62
2025	21	464	47
2026	12	423	23
2027	19	294	24
Thereafter	15	1,072	341
Total	<u>\$ 382</u>	<u>\$ 3,214</u>	<u>\$ 615</u>

Devon has certain drilling and facility obligations under contractual agreements with third-party service providers to procure drilling rigs and other related services for developmental and exploratory drilling and facilities construction. The value of the drilling obligations reported is based on gross contractual value.

Devon has certain operational agreements whereby Devon has committed to transport or process certain volumes of oil, gas and NGLs for a fixed fee. Devon has entered into these agreements to aid the movement of its production to downstream markets.

Devon leases certain office space and equipment under financing and operating lease arrangements.

**21. Fair Value Measurements**

The following table provides carrying value and fair value measurement information for certain of Devon’s financial assets and liabilities. The carrying values of cash, restricted cash, accounts receivable, other current receivables, accounts payable, other current payables, accrued expenses and lease liabilities included in the accompanying consolidated balance sheets approximated fair value at December 31, 2022 and December 31, 2021, as applicable. Therefore, such financial assets and liabilities are not presented in the following table.

	Carrying Amount	Total Fair Value	Fair Value Measurements Using:		
			Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
December 31, 2022 assets (liabilities):					
Cash equivalents	\$ 708	\$ 708	\$ 708	\$ —	\$ —
Commodity derivatives	\$ 131	\$ 131	\$ —	\$ 131	\$ —
Commodity derivatives	\$ (3)	\$ (3)	\$ —	\$ (3)	\$ —
Debt	\$ (6,440)	\$ (6,231)	\$ —	\$ (6,231)	\$ —
Contingent earnout payments	\$ 157	\$ 157	\$ —	\$ —	\$ 157
December 31, 2021 assets (liabilities):					
Cash equivalents	\$ 1,421	\$ 1,421	\$ 1,421	\$ —	\$ —
Commodity derivatives	\$ 8	\$ 8	\$ —	\$ 8	\$ —
Commodity derivatives	\$ (577)	\$ (577)	\$ —	\$ (577)	\$ —
Debt	\$ (6,482)	\$ (7,644)	\$ —	\$ (7,644)	\$ —
Contingent earnout payments	\$ 184	\$ 184	\$ —	\$ —	\$ 184

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



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

***Level 1 Fair Value Measurements***

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

***Level 2 Fair Value Measurements***

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

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

***Level 3 Fair Value Measurements***

*Contingent Earnout Payments* – Devon has the right to receive contingent consideration related to the Barnett and non-core Rockies asset divestiture based on future oil and gas prices. These values were derived using a Monte Carlo valuation model and qualify as a level 3 fair value measurement. For additional information, see Note 2.

**22. Supplemental Information on Oil and Gas Operations (Unaudited)**

Supplemental unaudited information regarding Devon’s oil and gas activities is presented in this note. All of Devon’s reserves are located within the U.S.

The supplemental information in the tables below excludes amounts for 2020 related to Devon’s discontinued operations. For additional information on these discontinued operations, see Note 19.

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

***Costs Incurred***

The following tables reflect the costs incurred in oil and gas property acquisition, exploration and development activities.

	Year Ended December 31,		
	2022	2021	2020
Property acquisition costs:			
Proved properties	\$ 1,760	\$ 7,017	\$ —
Unproved properties	803	2,381	8
Exploration costs	472	212	159
Development costs	2,132	1,643	820
Costs incurred	<u>\$ 5,167</u>	<u>\$ 11,253</u>	<u>\$ 987</u>

Acquisition costs for 2022 in the table above pertain primarily to the Eagle Ford and Willison Basin acquisitions which closed in the third quarter of 2022. Acquisition costs for 2021 primarily relate to the Merger. Development costs in the tables above include additions and revisions to Devon's asset retirement obligations.

***Results of Operations***

The following table includes revenues and expenses associated with Devon's oil and gas producing activities. It does not include any allocation of Devon's interest costs or general corporate overhead and, therefore, are not necessarily indicative of the contribution to net earnings of Devon's oil and gas operations. Income tax expense has been calculated by applying statutory income tax rates to oil, gas and NGL sales after deducting costs, including DD&A, and after giving effect to permanent differences.

	Year Ended December 31,		
	2022	2021	2020
Oil, gas and NGL sales	\$ 14,082	\$ 9,531	\$ 2,695
Production expenses	(2,797)	(2,131)	(1,123)
Exploration expenses	(29)	(14)	(167)
Depreciation, depletion and amortization	(2,119)	(2,050)	(1,207)
Asset dispositions	43	170	—
Asset impairments	—	—	(2,664)
Accretion of asset retirement obligations	(25)	(28)	(20)
Income tax expense	(2,041)	(1,238)	—
Results of operations	<u>\$ 7,114</u>	<u>\$ 4,240</u>	<u>\$ (2,486)</u>
Depreciation, depletion and amortization per Boe	<u>\$ 9.52</u>	<u>\$ 9.83</u>	<u>\$ 9.90</u>

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

***Proved Reserves***

The following table presents Devon’s estimated proved reserves by product.

	Oil (MMBbls)	Gas (Bcf) <sup>(1)</sup>	NGL (MMBbls)	Combined (MMBoe)
Proved developed and undeveloped reserves:				
December 31, 2019	276	1,621	211	757
Revisions due to prices	(26)	(209)	(17)	(78)
Revisions other than price	18	119	17	55
Extensions and discoveries	71	188	33	135
Purchase of reserves	1	19	3	7
Production	(57)	(221)	(28)	(122)
Sale of reserves	(1)	(5)	(1)	(2)
December 31, 2020	<u>282</u>	<u>1,512</u>	<u>218</u>	<u>752</u>
Revisions due to prices	55	382	36	155
Revisions other than price	(23)	11	64	43
Extensions and discoveries	112	348	58	228
Purchase of reserves	393	961	110	663
Production	(106)	(325)	(48)	(209)
Sale of reserves	(4)	(11)	(1)	(7)
December 31, 2021	<u>709</u>	<u>2,878</u>	<u>437</u>	<u>1,625</u>
Revisions due to prices	15	61	8	34
Revisions other than price	(55)	13	3	(49)
Extensions and discoveries	127	449	76	278
Purchase of reserves	106	137	24	153
Production	(109)	(356)	(54)	(223)
Sale of reserves	—	(7)	(1)	(3)
December 31, 2022	<u>793</u>	<u>3,175</u>	<u>493</u>	<u>1,815</u>
Proved developed reserves:				
December 31, 2019	198	1,344	167	589
December 31, 2020	194	1,244	173	574
December 31, 2021	544	2,361	348	1,285
December 31, 2022	596	2,595	391	1,419
Proved developed-producing reserves:				
December 31, 2019	191	1,327	165	578
December 31, 2020	190	1,223	171	564
December 31, 2021	533	2,316	341	1,260
December 31, 2022	585	2,553	387	1,397
Proved undeveloped reserves:				
December 31, 2019	78	277	44	168
December 31, 2020	88	268	45	178
December 31, 2021	165	517	89	340
December 31, 2022	197	580	102	396

- (1) Gas reserves are converted to Boe at the rate of six Mcf per Bbl of oil, based upon the approximate relative energy content of gas and oil. NGL reserves are converted to Boe on a one-to-one basis with oil. The conversion rates are not necessarily indicative of the relationship of oil, natural gas and NGL prices.

***Price Revisions***

Reserves increased 34 MMBoe in 2022 primarily due to price increases in the trailing 12 month averages for oil, gas and NGLs.

Reserves increased 155 MMBoe in 2021 primarily due to price increases in the trailing 12 month averages for oil, gas and NGLs.

Reserves decreased 78 MMBoe in 2020 primarily due to price decreases in the trailing 12 month averages for oil, gas and NGLs.

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

*Revisions Other Than Price*

2022 – Total revisions other than price (-49 MMBoe) were driven by higher operating costs across all areas of operation and the revisions to proved undeveloped reserves noted below. These downward revisions were partially offset by upward revisions due to well performance exceeding previous estimates primarily in the Delaware Basin. In total, after accounting for these compensating factors, we recorded negative revisions across each of our operating areas with the most significant changes being located in the Delaware Basin (-33 MMBoe), followed by the Powder River Basin (-5 MMBoe) and the Anadarko Basin (-4 MMBoe).

2021 – Total revisions other than price (43 MMBoe) were primarily due to well performance exceeding previous estimates modestly across all areas of operation (53 MMBoe) and the removal of proved undeveloped locations as noted below (-10 MMBoe). The upward revisions were driven by the Delaware Basin (23 MMBoe), Williston Basin (12 MMBoe) and Anadarko Basin (12 MMBoe).

2020 – Total revisions other than price (55 MMBoe) were primarily due to well performance exceeding previous estimates (75 MMBoe) and the removal of proved undeveloped locations as noted below (-20 MMBoe). The most significant well performance revisions were attributable to the Delaware Basin (40 MMBoe) and the Anadarko Basin (22 MMBoe).

*Extensions and Discoveries*

Each year, Devon's proved reserves extensions and discoveries consist of adding proved undeveloped reserves to locations classified as undeveloped at year-end and adding proved developed reserves from successful development wells drilled on locations outside the areas classified as proved at the previous year-end. Therefore, it is not uncommon for Devon's total proved extensions and discoveries to differ from the extensions and discoveries for Devon's proved undeveloped reserves. Furthermore, because annual additions are classified according to reserve determinations made at the previous year-end and because Devon operates a multi-basin portfolio with assets at varying stages of maturity, extensions and discoveries for proved developed and proved undeveloped reserves can differ significantly in any particular year.

2022 – Of the 278 MMBoe of additions from extensions and discoveries, 255 MMBoe were in the Delaware Basin, 7 MMBoe were in the Powder River Basin, 6 MMBoe were in Eagle Ford, 5 MMBoe were in the Anadarko Basin and 5 MMBoe were in the Williston Basin.

2021 – Of the 228 MMBoe of additions from extensions and discoveries, 209 MMBoe were in the Delaware Basin, 8 MMBoe were in the Anadarko Basin, 6 MMBoe were in the Williston Basin, 3 MMBoe were in Eagle Ford and 2 MMBoe were in the Powder River Basin.

2020 – Of the 135 MMBoe of additions from extensions and discoveries, 117 MMBoe were in the Delaware Basin, 8 MMBoe were in the Anadarko Basin, 5 MMBoe were in the Powder River Basin and 5 MMBoe were in Eagle Ford.

*Purchase of Reserves*

During 2022, Devon had reserve additions due to the acquisitions of 66 MMBoe in the Williston Basin and 87 MMBoe in the Eagle Ford. For additional information on these asset additions, see Note 2.

During 2021, Devon had reserve additions due to the Merger of 538 MMBoe in the Delaware Basin and 125 MMBoe in the Williston Basin. For additional information on these asset additions, see Note 2.

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

*Sale of Reserves*

During 2022, 2021 and 2020, Devon had U.S. non-core asset divestitures. For additional information on these divestitures, see Note 2.

*Proved Undeveloped Reserves*

The following table presents the changes in Devon’s total proved undeveloped reserves during 2022 (MMBoe).

	<b>Total</b>
Proved undeveloped reserves as of December 31, 2021	340
Extensions and discoveries	176
Revisions due to prices	2
Revisions other than price	(39)
Purchase of reserves	44
Sale of reserves	—
Conversion to proved developed reserves	(127)
Proved undeveloped reserves as of December 31, 2022	396

Total proved undeveloped reserves increased 16% from 2021 to 2022 with the year-end 2022 balance representing 22% of total proved reserves. Approximately 97% of the 176 MMBoe in extensions and discoveries were the result of Devon’s focus on drilling and development activities in the Delaware Basin. This continued development in the Delaware Basin also accounted for more than 80% of the 127 MMBoe of proved undeveloped reserves being converted to proved developed reserves in 2022. Costs incurred in 2022 to develop and convert Devon’s proved undeveloped reserves were approximately \$866 million. Of the 44 MMBoe of purchased reserves, 51% relate to the Williston Basin and 49% to the Eagle Ford. Proved undeveloped reserves revisions other than price (-39 MMBoe) were due to changes in previously adopted development plans (-22 MMBoe) in the Delaware Basin (-9 MMBoe), Anadarko Basin (-7 MMBoe) and Powder River Basin (-6 MMBoe), combined with additional downward revisions (-17 MMBoe) caused by both continued evaluation of well performance and higher operating costs.

***Standardized Measure***

The following tables reflect Devon’s standardized measure of discounted future net cash flows from its proved reserves.

	Year Ended December 31,		
	2022	2021	2020
Future cash inflows	\$ 108,361	\$ 66,321	\$ 14,957
Future costs:			
Development	(5,176)	(3,689)	(1,747)
Production	(35,264)	(22,975)	(7,964)
Future income tax expense	(13,216)	(6,423)	—
Future net cash flow	54,705	33,234	5,246
10% discount to reflect timing of cash flows	(23,391)	(13,933)	(1,774)
Standardized measure of discounted future net cash flows	\$ 31,314	\$ 19,301	\$ 3,472

Future cash inflows, development costs and production costs were computed using the same assumptions for prices and costs that were used to estimate Devon’s proved oil and gas reserves at the end of each year. For 2022 estimates, Devon’s future realized prices were assumed to be \$93.53 per Bbl of oil, \$5.41 per Mcf of gas and \$34.58 per Bbl of NGLs. Of the \$5.2 billion of future development costs as of the end of 2022, \$1.7 billion, \$1.2 billion and \$0.7 billion are estimated to be spent in 2023, 2024 and 2025, respectively.

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

Future development costs include not only development costs but also future asset retirement costs. Included as part of the \$5.2 billion of future development costs are \$0.8 billion of future asset retirement costs. The future income tax expenses have been computed using statutory tax rates, giving effect to allowable tax deductions and tax credits under current laws.

The principal changes in Devon’s standardized measure of discounted future net cash flows are as follows:

	<u>Year Ended December 31,</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Beginning balance	\$ 19,301	\$ 3,472	\$ 5,398
Net changes in prices and production costs	14,081	8,274	(3,277)
Oil, gas and NGL sales, net of production costs	(11,285)	(7,400)	(1,572)
Changes in estimated future development costs	(216)	(414)	402
Extensions and discoveries, net of future development costs	7,279	3,877	988
Purchase of reserves	4,185	12,460	23
Sales of reserves in place	(20)	(12)	(7)
Revisions of quantity estimates	(874)	838	147
Previously estimated development costs incurred during the period	956	663	537
Accretion of discount	2,059	1,218	285
Net change in income taxes and other	(4,152)	(3,675)	548
Ending balance	<u>\$ 31,314</u>	<u>\$ 19,301</u>	<u>\$ 3,472</u>

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

Not applicable.

**Item 9A. 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 December 31, 2022 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.

**Management’s Annual Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for Devon, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Under the supervision and with the participation of Devon’s management, including our principal executive and principal financial officers, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (the “2013 COSO Framework”). Based on this evaluation under the 2013 COSO Framework, which was completed on February 15, 2023, management concluded that its internal control over financial reporting was effective as of December 31, 2022.

The effectiveness of our internal control over financial reporting as of December 31, 2022 has been audited by KPMG LLP, an independent registered public accounting firm who audited our consolidated financial statements as of and for the year ended December 31, 2022, as stated in their report, which is included under “Item 8. Financial Statements and Supplementary Data” of this report.

**Changes in Internal Control Over Financial Reporting**

There was no change in our internal control over financial reporting during the fourth quarter of 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**Item 9B. Other Information**

Not applicable.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

## **PART III**

### **Item 10. *Directors, Executive Officers and Corporate Governance***

The information called for by this Item 10 is incorporated herein by reference to the definitive Proxy Statement to be filed by Devon pursuant to Regulation 14A of the General Rules and applicable information in Regulations under the Securities Exchange Act of 1934 no later than 120 days following the fiscal year ended December 31, 2022.

### **Item 11. *Executive Compensation***

The information called for by this Item 11 is incorporated herein by reference to the definitive Proxy Statement to be filed by Devon pursuant to Regulation 14A of the General Rules and applicable information in Regulations under the Securities Exchange Act of 1934 no later than 120 days following the fiscal year ended December 31, 2022.

### **Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

The information called for by this Item 12 is incorporated herein by reference to the definitive Proxy Statement to be filed by Devon pursuant to Regulation 14A of the General Rules and applicable information in Regulations under the Securities Exchange Act of 1934 no later than 120 days following the fiscal year ended December 31, 2022.

### **Item 13. *Certain Relationships and Related Transactions, and Director Independence***

The information called for by this Item 13 is incorporated herein by reference to the definitive Proxy Statement to be filed by Devon pursuant to Regulation 14A of the General Rules and applicable information in Regulations under the Securities Exchange Act of 1934 no later than 120 days following the fiscal year ended December 31, 2022.

### **Item 14. *Principal Accountant Fees and Services***

The information called for by this Item 14 is incorporated herein by reference to the definitive Proxy Statement to be filed by Devon pursuant to Regulation 14A of the General Rules and applicable information in Regulations under the Securities Exchange Act of 1934 no later than 120 days following the fiscal year ended December 31, 2022.



## PART IV

### Item 15. Exhibits and Financial Statement Schedules

(a) The following documents are included as part of this report:

#### 1. Consolidated Financial Statements

Reference is made to the Index to Consolidated Financial Statements and Consolidated Financial Statement Schedules appearing at “Item 8. Financial Statements and Supplementary Data” in this report.

#### 2. Consolidated Financial Statement Schedules

All financial statement schedules are omitted as they are inapplicable, or the required information has been included in the consolidated financial statements or notes thereto.

#### 3. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
2.1	Purchase and Sale Agreement, dated December 17, 2019, by and between Devon Energy Production Company, L.P. and BKV Barnett, LLC (incorporated by reference to Exhibit 2.1 to Registrant’s Form 8-K filed December 18, 2019; File No. 001-32318).*
2.2	First Amendment to Purchase and Sale Agreement, dated April 13, 2020, by and between Devon Energy Production Company, L.P., BKV Barnett, LLC, and solely with respect to certain provisions therein, BKV Oil & Gas Capital Partners, L.P. (incorporated by reference to Exhibit 2.1 to Registrant’s Current Report on Form 8-K filed April 14, 2020; File No. 001-32318).
2.3	Agreement and Plan of Merger, dated September 26, 2020, by and among Registrant, East Merger Sub, Inc., and WPX Energy, Inc. (incorporated by reference to Exhibit 2.1 to Registrant’s Current Report on Form 8-K, filed September 28, 2020; File No. 001-32318).
3.1	Registrant’s Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.1 of Registrant’s Form 10-K filed February 21, 2013; File No. 001-32318).
3.2	Registrant’s Bylaws (incorporated by reference to Exhibit 3.1 of Registrant’s Form 10-Q filed November 2, 2022; File No. 001-32318).
4.1	Indenture, dated as of July 12, 2011, between Registrant and UMB Bank, National Association, as Trustee (incorporated by reference to Exhibit 4.1 to Registrant’s Form 8-K filed July 12, 2011; File No. 001-32318).
4.2	Supplemental Indenture No. 1, dated as of July 12, 2011, to Indenture dated as of July 12, 2011, between Registrant and UMB Bank, National Association, as Trustee, relating to the 5.60% Senior Notes due 2041 (incorporated by reference to Exhibit 4.2 to Registrant’s Form 8-K filed July 12, 2011; File No. 001-32318).
4.3	Supplemental Indenture No. 2, dated as of May 14, 2012, to Indenture dated as of July 12, 2011, between Registrant and UMB Bank, National Association, as Trustee, relating to the 4.750% Senior Notes due 2042 (incorporated by reference to Exhibit 4.1 to Registrant’s Form 8-K filed May 14, 2012; File No. 001-32318).
4.4	Supplemental Indenture No. 4, dated as of June 16, 2015, to Indenture dated as of July 12, 2011, between Registrant and UMB Bank, National Association, as Trustee, relating to the 5.000% Senior Notes due 2045 (incorporated by reference to Exhibit 4.1 to Registrant’s Form 8-K filed June 16, 2015; File No. 001-32318).
4.5	Supplemental Indenture No. 5, dated as of December 15, 2015, to Indenture dated as of July 12, 2011, between Registrant and UMB Bank, National Association, as Trustee, relating to the 5.850% Senior

- Notes due 2025 (incorporated by reference to Exhibit 4.1 to Registrant's Form 8-K filed December 15, 2015; File No. 001-32318).
- 4.6 Supplemental Indenture No. 6, dated as of June 9, 2021, between Registrant and UMB Bank, National Association, as Trustee, relating to the 8.250% Senior Notes due 2023 and the 5.250% Senior Notes due 2024 (incorporated by reference to Exhibit 4.2 to Registrant's Form 8-K filed June 9, 2021; File No. 001-32318).
  - 4.7 Supplemental Indenture No. 7, dated as of June 9, 2021, between Registrant and UMB Bank, National Association, as Trustee, relating to the 5.250% Senior Notes due 2027, 5.875% Senior Notes due 2028 and 4.500% Senior Notes due 2030 (incorporated by reference to Exhibit 4.3 to Registrant's Form 8-K filed June 9, 2021; File No. 001-32318).
  - 4.8 Indenture, dated as of March 1, 2002, between Registrant and The Bank of New York Mellon Trust Company, N.A. (as successor to The Bank of New York), as Trustee (incorporated by reference to Exhibit 4.1 of Registrant's Form 8-K filed April 9, 2002; File No. 000-30176).
  - 4.9 Supplemental Indenture No. 1, dated as of March 25, 2002, to Indenture dated as of March 1, 2002, between Registrant and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to the 7.95% Senior Debentures due 2032 (incorporated by reference to Exhibit 4.2 to Registrant's Form 8-K filed April 9, 2002; File No. 000-30176).
  - 4.10 Supplemental Indenture No. 4, dated as of March 22, 2018, to Indenture dated as of March 1, 2002, between Registrant and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to the 7.95% Senior Notes due 2032 (incorporated by reference to Exhibit 4.1 to Registrant's Form 8-K filed March 22, 2018; File No. 000-32318).
  - 4.11 Indenture, dated as of October 3, 2001, among Devon Financing Company, L.L.C. (f/k/a Devon Financing Corporation, U.L.C.), as Issuer, Registrant, as Guarantor, and The Bank of New York Mellon Trust Company, N.A., originally The Chase Manhattan Bank, as Trustee, relating to the 7.875% Debentures due 2031 (incorporated by reference to Exhibit 4.7 to Registrant's Registration Statement on Form S-4 filed October 31, 2001; File No. 333-68694).
  - 4.12 Assignment and Assumption Agreement, dated as of June 19, 2019, by and between Devon Financing Company, L.L.C. and Registrant, relating to that certain Indenture, dated as of October 3, 2001, by and among Devon Financing Company, L.L.C. (f/k/a Devon Financing Company, U.L.C.), as Issuer, Devon Energy Corporation, as Guarantor, and The Bank of New York Mellon Trust Company, N.A., as successor to The Chase Manhattan Bank, as Trustee, and the 7.875% Debentures due 2031 issued thereunder (incorporated by reference to Exhibit 4.1 to Registrant's Form 10-Q filed August 7, 2019; File No. 001-32318).
  - 4.13 Senior Indenture, dated as of September 1, 1997, between Devon OEI Operating, L.L.C. (as successor to Seagull Energy Corporation) and The Bank of New York Mellon Trust Company, N.A. (as successor to The Bank of New York), as Trustee, and related Specimen of 7.50% Senior Notes due 2027 (incorporated by reference to Exhibit 4.4 to Ocean Energy Inc.'s Form 10-K filed March 23, 1998; File No. 001-08094).
  - 4.14 First Supplemental Indenture, dated as of March 30, 1999, to Senior Indenture dated as of September 1, 1997, by and among Devon OEI Operating, L.L.C., its Subsidiary Guarantor, and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to the 7.50% Senior Notes due 2027 (incorporated by reference to Exhibit 4.10 to Ocean Energy, Inc.'s Form 10-Q filed May 17, 1999; File No. 001-08094).
  - 4.15 Second Supplemental Indenture, dated as of May 9, 2001, to Senior Indenture dated as of September 1, 1997, by and among Devon OEI Operating, L.L.C., its Subsidiary Guarantor, and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to the 7.50% Senior Notes due 2027 (incorporated by reference to Exhibit 99.4 to Ocean Energy, Inc.'s Form 8-K filed May 14, 2001; File No. 033-06444).

- 4.16 Third Supplemental Indenture, dated as of December 31, 2005, to Senior Indenture dated as of September 1, 1997, by and among Devon OEI Operating, L.L.C., as Issuer, Devon Energy Production Company, L.P., as Successor Guarantor, and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to the 7.50% Senior Notes due 2027 (incorporated by reference to Exhibit 4.27 of Registrant's Form 10-K filed March 3, 2006; File No. 001-32318).
- 4.17 Indenture, dated as of September 8, 2014, between WPX Energy, Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee (incorporated herein by reference to Exhibit 4.1 to WPX Energy, Inc.'s Form 8-K filed September 8, 2014; File No. 001-35322).
- 4.18 First Supplemental Indenture, dated as of September 8, 2014, between WPX Energy, Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to the 5.25% Senior Notes due 2024 (incorporated herein by reference to Exhibit 4.2 to WPX Energy, Inc.'s Form 8-K filed September 8, 2014; File No. 001-35322).
- 4.19 Second Supplemental Indenture, dated as of July 22, 2015, between WPX Energy, Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to the 8.25% Senior Notes due 2023 (incorporated herein by reference to Exhibit 4.1 to WPX Energy, Inc.'s Form 8-K filed July 22, 2015; File No. 001-35322).
- 4.20 Fourth Supplemental Indenture, dated as of September 24, 2019, between WPX Energy, Inc. and The Bank of New York Mellon Trust Company, N.A. as Trustee, relating to the 5.250% Senior Notes due 2027 (incorporated herein by reference to Exhibit 4.1 to WPX Energy, Inc.'s Form 8-K filed on September 24, 2019; File No. 001-35322).
- 4.21 Fifth Supplemental Indenture, dated as of January 10, 2020, between WPX Energy, Inc. and The Bank of New York Mellon Trust Company, N.A. as Trustee, relating to the 4.500% Senior Notes due 2030 (incorporated herein by reference to Exhibit 4.1 to WPX Energy, Inc.'s Form 8-K filed January 10, 2020; File No. 001-35322).
- 4.22 Sixth Supplemental Indenture, dated as of June 17, 2020, between WPX Energy, Inc. and the Bank of New York Mellon Trust Company, N.A. as Trustee, relating to the 5.875% Senior Notes due 2028 (incorporated herein by reference to Exhibit 4.1 to WPX Energy, Inc.'s Form 8-K filed June 17, 2020; File No. 001-35322).
- 4.23 Supplemental Indenture No. 7, dated as of June 9, 2021, between WPX Energy, Inc. and The Bank of New York Mellon Trust Company, N.A., as Trustee, relating to the 8.250% Senior Notes due 2023, the 5.250% Senior Notes due 2024, the 5.250% Senior Notes due 2027, the 5.875% Senior Notes due 2028 and the 4.500% Senior Notes due 2030 (incorporated by reference to Exhibit 4.5 to Registrant's Form 8-K filed June 9, 2021; File No. 001-32318).
- 4.24 Description of Securities Registered under Section 12 of the Securities Exchange Act of 1934.
- 10.1 Credit Agreement, dated as of October 5, 2018, among Registrant, as U.S. Borrower, Devon Canada Corporation, as Canadian Borrower, Bank of America, N.A., as Administrative Agent, Swing Line Lender and an L/C Issuer, and each Lender and L/C Issuer from time to time party thereto (incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed October 9, 2018; File No. 001-32318).
- 10.2 First Amendment to Credit Agreement and Extension Agreement, dated as of December 13, 2019, by and among Registrant, as U.S. Borrower, Devon Canada Corporation, as Canadian Borrower, Bank of America, N.A., individually and as Administrative Agent, and the Lenders party thereto (incorporated by reference to Exhibit 10.2 to Registrant's Form 10-K filed February 19, 2020; File No. 001-32318).
- 10.3 Devon Energy Corporation 2022 Long-Term Incentive Plan (amended and restated effective as of November 30, 2022).\*\*
- 10.4 Devon Energy Corporation 2017 Long-Term Incentive Plan (incorporated by reference to Exhibit 99.1 to Registrant's Form S-8 filed June 7, 2017; File No. 333-218561).\*\*

- 10.5 2021 Amendment (effective as of January 7, 2021) to the Devon Energy Corporation 2017 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.7 to the Company's Form 10-K filed February 17, 2021; File No. 001-32318).\*\*
- 10.6 WPX Energy, Inc. 2013 Incentive Plan, and amendments No. 1 and No. 2 thereto (incorporated by reference to Exhibit 10.1 to WPX Energy, Inc.'s Form 8-K filed on February 19, 2018; File No. 001-35322).\*\*
- 10.7 Amendment No. 3 to the WPX Energy, Inc. 2013 Incentive Plan (incorporated by reference to Appendix A to WPX Energy, Inc.'s definitive proxy statement on Schedule 14A filed March 29, 2018; File No. 001-35322).\*\*
- 10.8 Amendment No. 4 to the WPX Energy, Inc. 2013 Incentive Plan and Global Amendment to Restricted Stock Unit Agreements effective December 1, 2021 (incorporated by reference to Exhibit 10.7 of Registrant's Form 10-K filed February 16, 2022; File No. 001-32318). \*\*
- 10.9 Devon Energy Corporation Non-Qualified Deferred Compensation Plan (amended and restated effective as of January 1, 2021) (incorporated by reference to Exhibit 10.9 of Registrant's Form 10-K filed February 16, 2022; File No. 001-32318).\*\*
- 10.10 Devon Energy Corporation Benefit Restoration Plan (amended and restated effective January 1, 2012) (incorporated by reference to Exhibit 10.15 to Registrant's Form 10-K filed February 24, 2012; File No. 001-32318).\*\*
- 10.11 Amendment 2014-1, executed March 7, 2014, to the Devon Energy Corporation Benefit Restoration Plan (incorporated by reference to Exhibit 10.6 to Registrant's Form 10-Q filed May 9, 2014; File No. 001-32318).\*\*
- 10.12 Amendment 2015-1, executed April 15, 2015, to the Devon Energy Corporation Benefit Restoration Plan (incorporated by reference to Exhibit 10.1 to Registrant's Form 10-Q filed May 6, 2015; File No. 001-32318).\*\*
- 10.13 Amendment 2016-1, executed October 20, 2016, to the Devon Energy Corporation Benefit Restoration Plan (incorporated by reference to Exhibit 10.17 to Registrant's Form 10-K filed February 15, 2017; File No. 001-32318).\*\*
- 10.14 Amendment 2020-1, executed December 23, 2020, to the Devon Energy Corporation Benefit Restoration Plan (incorporated by reference to Exhibit 10.20 to the Company's Form 10-K filed February 17, 2021; File No. 001-32318).\*\*
- 10.15 Devon Energy Corporation Defined Contribution Restoration Plan (amended and restated effective as of January 1, 2021) (incorporated by reference to Exhibit 10.15 of Registrant's Form 10-K filed February 16, 2022; File No. 001-32318).\*\*
- 10.16 Devon Energy Corporation Supplemental Contribution Plan (amended and restated effective as of January 1, 2021) (incorporated by reference to Exhibit 10.16 of Registrant's Form 10-K filed February 16, 2022; File No. 001-32318).\*\*
- 10.17 Devon Energy Corporation Supplemental Executive Retirement Plan (amended and restated effective January 1, 2012) (incorporated by reference to Exhibit 10.18 to Registrant's Form 10-K filed February 24, 2012; File No. 001-32318).\*\*
- 10.18 Amendment 2016-1, executed October 20, 2016, to the Devon Energy Corporation Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.25 to Registrant's Form 10-K filed February 15, 2017; File No. 001-32318).\*\*

- 10.19 Amendment 2019-1, executed June 19, 2019, to the Devon Energy Corporation Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.3 to Registrant's Form 10-Q filed August 7, 2019; File No. 001-32318).\*\*
- 10.20 Amendment 2020-1, executed December 23, 2020, to the Devon Energy Corporation Supplemental Executive Retirement Plan (incorporated by reference to Exhibit 10.35 to Registrant's Form 10-K filed February 17, 2021; File No. 001-32318).\*\*
- 10.21 Devon Energy Corporation Supplemental Retirement Income Plan (amended and restated effective January 1, 2012) (incorporated by reference to Exhibit 10.19 to Registrant's Form 10-K filed February 24, 2012; File No. 001-32318).\*\*
- 10.22 Amendment 2014-1, executed March 7, 2014, to the Devon Energy Corporation Supplemental Retirement Income Plan (incorporated by reference to Exhibit 10.9 to Registrant's Form 10-Q filed May 9, 2014; File No. 001-32318).\*\*
- 10.23 Amendment 2016-1, executed October 20, 2016, to the Devon Energy Corporation Supplemental Retirement Income Plan (incorporated by reference to Exhibit 10.28 to Registrant's Form 10-K filed February 15, 2017; File No. 001-32318).\*\*
- 10.24 Amendment 2019-1, effective September 10, 2019, to the Devon Energy Corporation Supplemental Retirement Income Plan (incorporated by reference to Exhibit 10.2 to Registrant's Form 10-Q filed November 6, 2019; File No. 001-32318).\*\*
- 10.25 Amendment 2020-1, executed December 23, 2020, to the Devon Energy Corporation Supplemental Retirement Income Plan (incorporated by reference to Exhibit 10.40 to the Company's Form 10-K filed February 17, 2021; File No. 001-32318).\*\*
- 10.26 Devon Energy Corporation Incentive Savings Plan (amended and restated effective as of January 1, 2022) (incorporated by reference to Exhibit 10.26 of Registrant's Form 10-K filed February 16, 2022; File No. 001-32318).\*\*
- 10.27 Amendment 2022-1, effective July 21, 2022, to the Devon Energy Corporation Incentive Savings Plan.\*\*
- 10.28 Amendment 2022-2, effective September 28, 2022, to the Devon Energy Corporation Incentive Savings Plan.\*\*
- 10.29 Employment Agreement, dated effective April 19, 2017, by and between Registrant and Jeffrey L. Ritenour (incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K, filed on April 20, 2017; File No. 001-32318).\*\*
- 10.30 Employment Agreement, dated effective September 13, 2019, by and between Registrant and David G. Harris (incorporated by reference to Exhibit 10.1 to Registrant's Form 8-K filed September 16, 2019; File No. 001-32318).\*\*
- 10.31 Employment Agreement, dated January 7, 2021, by and between Registrant and Richard E. Muncrief (incorporated by reference to Exhibit 10.3 to Registrant's Form 8-K filed January 7, 2021; File No. 001-32318).\*\*
- 10.32 Employment Agreement, dated January 7, 2021, by and between Registrant and Clay M. Gaspar (incorporated by reference to Exhibit 10.4 to Registrant's Form 8-K filed January 7, 2021; File No. 001-32318).\*\*
- 10.33 Employment Agreement, dated January 7, 2021, by and between Registrant and Dennis C. Cameron (incorporated by reference to Exhibit 10.5 to Registrant's Form 8-K filed January 7, 2021; File No. 001-32318).\*\*

- 10.34 Employment Agreement, dated March 2, 2022, by and between Devon Energy Corporation and Tana K. Cashion (incorporated by reference to Exhibit 10.1 of Registrant's Form 8-K filed March 7, 2022; File No. 001-32318).\*\*
- 10.35 WPX Energy Nonqualified Deferred Compensation Plan, effective January 1, 2013 (incorporated herein by reference to Exhibit 10.16 to WPX Energy, Inc.'s Form 10-K filed February 28, 2013; File No. 001-35322).\*\*
- 10.36 First Amendment to the WPX Energy Nonqualified Deferred Compensation Plan, executed January 4, 2021 (incorporated by reference to Exhibit 10.37 of Registrant's Form 10-K filed February 16, 2022; File No. 001-32318).\*\*
- 10.37 Second Amendment to the WPX Energy Nonqualified Deferred Compensation Plan, executed December 15, 2021 (incorporated by reference to Exhibit 10.38 of Registrant's Form 10-K filed February 16, 2022; File No. 001-32318).\*\*
- 10.38 WPX Energy Board of Directors Nonqualified Deferred Compensation Plan, effective January 1, 2013 (incorporated herein by reference to Exhibit 10.17 to WPX Energy, Inc.'s Form 10-K filed February 28, 2013; File No. 001-35322).\*\*
- 10.39 First Amendment to the WPX Energy Board of Directors Nonqualified Deferred Compensation Plan, executed December 9, 2021 (incorporated by reference to Exhibit 10.40 of Registrant's Form 10-K filed February 16, 2022; File No. 001-32318).\*\*
- 10.40 WPX Energy Nonqualified Restoration Plan, effective January 1, 2015 (incorporated by reference to Exhibit 10.41 of Registrant's Form 10-K filed February 16, 2022; File No. 001-32318).\*\*
- 10.41 First Amendment to the WPX Energy Nonqualified Restoration Plan, executed January 4, 2021 (incorporated by reference to Exhibit 10.42 of Registrant's Form 10-K filed February 16, 2022; File No. 001-32318).\*\*
- 10.42 Second Amendment to the WPX Energy Nonqualified Restoration Plan, executed December 15, 2021 (incorporated by reference to Exhibit 10.43 of Registrant's Form 10-K filed February 16, 2022; File No. 001-32318).\*\*
- 10.43 Form of Indemnity Agreement between Registrant and non-management directors (incorporated by reference to Exhibit 10.40 to Registrant's Form 10-K filed February 19, 2020; File No. 001-32318).\*\*
- 10.44 2019 Form of Notice of Grant of Restricted Stock Award and Award Agreement under the 2017 Long-Term Incentive Plan between Registrant and certain officers for restricted stock awarded (incorporated by reference to Exhibit 10.1 to Registrant's Form 10-Q filed May 1, 2019; File No. 001-32318).\*\*
- 10.45 2020 Form of Notice of Grant of Restricted Stock Award and Award Agreement under the 2017 Long-Term Incentive Plan between Registrant and certain officers for restricted stock awarded (CEO and EVP form) (incorporated by reference to Exhibit 10.1 to Registrant's Form 10-Q filed May 6, 2020; File No. 001-32318).\*\*
- 10.46 2020 Form of Notice of Grant of Restricted Stock Award and Award Agreement under the 2017 Long-Term Incentive Plan between Registrant and certain officers for restricted stock awarded (SVP form) (incorporated by reference to Exhibit 10.3 to Registrant's Form 10-Q filed May 6, 2020; File No. 001-32318).\*\*
- 10.47 2021 Form of Notice of Grant of Restricted Stock Award and Award Agreement under the 2017 Long-Term Incentive Plan between Devon Energy Corporation and certain officers for restricted stock

- awarded (incorporated by reference to Exhibit 10.1 to Registrant’s Form 10-Q filed May 5, 2021; File No. 001-32318).\*\*
- 10.48 2022 Form of Notice of Grant of Restricted Stock Award and Award Agreement under the 2017 Long-Term Incentive Plan between Devon Energy Corporation and certain officers for restricted stock awarded (incorporated by reference to Exhibit 10.1 of Registrant’s Form 10-Q filed May 3, 2022; File No. 001-32318).\*\*
- 10.49 2020 Form of Notice of Grant of Performance Share Unit Award and Award Agreement under the 2017 Long-Term Incentive Plan between Registrant and certain officers for performance based restricted share units awarded (CEO and EVP form) (incorporated by reference to Exhibit 10.2 to Registrant’s Form 10-Q filed May 6, 2020; File No. 001-32318).\*\*
- 10.50 2020 Form of Notice of Grant of Performance Share Unit Award and Award Agreement under the 2017 Long-Term Incentive Plan between Registrant and certain officers for performance based restricted share units awarded (SVP form) (incorporated by reference to Exhibit 10.4 to Registrant’s Form 10-Q filed May 6, 2020; File No. 001-32318).\*\*
- 10.51 2021 Form of Notice of Grant of Performance Share Unit Award and Award Agreement under the 2017 Long-Term Incentive Plan between Devon Energy Corporation and certain officers for performance based restricted share units awarded (incorporated by reference to Exhibit 10.2 to the Company’s Form 10-Q filed May 5, 2021; File No. 001-32318).\*\*
- 10.52 2022 Form of Notice of Grant of Performance Share Unit Award and Award Agreement under the 2017 Long-Term Incentive Plan between Devon Energy Corporation and certain officers for performance based restricted share units awarded (incorporated by reference to Exhibit 10.2 of Registrant’s Form 10-Q filed May 3, 2022; File No. 001-32318).\*\*
- 10.53 2022 Form of Notice of Grant of Restricted Stock Award and Award Agreement under the 2022 Long-Term Incentive Plan between the Company and all non-management directors for restricted stock awarded (incorporated by reference to Exhibit 10.2 of Registrant’s Form 10-Q filed August 2, 2022; File No. 001-32318).\*\*
- 10.54 Form of Nonqualified Stock Option Agreement between WPX Energy, Inc. and Richard E. Muncrief (incorporated herein by reference to Exhibit 10.2 to WPX Energy, Inc.’s Form 8-K filed May 2, 2014; File No. 001-35322).\*\*
- 10.55 Form of Restricted Stock Unit Award between WPX Energy, Inc. and non-employee directors (incorporated herein by reference to Exhibit 10.1 to WPX Energy, Inc.’s Form 8-K filed September 3, 2014; File No. 001-35322).\*\*
- 10.56 Form of Amended and Restated Performance-Based Restricted Stock Unit Agreement between WPX Energy, Inc. and certain executive officers (incorporated by reference to Exhibit 10.3 to WPX Energy, Inc.’s Form 8-K filed February 19, 2018; File No. 001-35322).\*\*
- 10.57 Form of Omnibus Amendment to Performance-Based Restricted Stock Unit Agreements between WPX Energy, Inc. and executive officers (incorporated herein by reference to Exhibit 10.40 to WPX Energy, Inc.’s Form 10-Q filed August 2, 2018; File No. 001-35322).\*\*
- 10.58 Form of Amended and Restated Performance-Based Restricted Stock Unit Agreement between WPX Energy, Inc. and certain executive officers (incorporated by reference to Exhibit 10.35 to WPX Energy, Inc.’s Form 10-K filed February 21, 2019; File No. 001-35322).\*\*
- 10.59 Form of Amended and Restated Restricted Stock Unit Award Agreement between WPX Energy, Inc. and non-employee directors (incorporated herein by reference to Exhibit 10.38 to WPX Energy, Inc.’s Form 10-Q filed August 6, 2019; File No. 001-35322).\*\*

- 10.60 Form of Amended Exhibit B to Amended and Restated Performance-Based Restricted Stock Unit Agreement between WPX Energy, Inc. and certain executive officers (incorporated herein by reference to Exhibit 10.39 to WPX Energy, Inc.'s Form 10-Q filed August 6, 2019; File No. 001-35322).\*\*
- 10.61 Form of Global Amendment to Performance-Based Restricted Stock Unit Agreements between WPX Energy, Inc. and certain executive officers (incorporated by reference to Exhibit 10.1 to WPX Energy, Inc.'s Form 8-K filed January 7, 2021; File No. 001-35322).\*\*
- 21 List of Subsidiaries.
- 23.1 Consent of KPMG LLP.
- 23.2 Consent of DeGolyer and MacNaughton.
- 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.
- 99 Report of DeGolyer and MacNaughton.
- 101.INS Inline XBRL Instance Document – the XBRL Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH Inline XBRL Taxonomy Extension Schema Document.
- 101.CAL Inline XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF Inline XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB Inline XBRL Taxonomy Extension Labels Linkbase Document.
- 101.PRE Inline XBRL Taxonomy Extension Presentation Linkbase Document.
- 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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\* Portions of this exhibit have been omitted in accordance with Item 601(b)(2)(ii) of Regulation S-K.

\*\* Indicates management contract or compensatory plan or arrangement.

**Item 16. Form 10-K Summary**

Not applicable.



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### DEVON ENERGY CORPORATION

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

February 15, 2023

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

<u>/s/ RICHARD E. MUNCRIEF</u> Richard E. Muncrief	President, Chief Executive Officer and Director (Principal executive officer)	February 15, 2023
<u>/s/ JEFFREY L. RITENOUR</u> Jeffrey L. Ritenour	Executive Vice President and Chief Financial Officer (Principal financial officer)	February 15, 2023
<u>/s/ JEREMY D. HUMPHERS</u> Jeremy D. Humphers	Senior Vice President and Chief Accounting Officer (Principal accounting officer)	February 15, 2023
<u>/s/ BARBARA M. BAUMANN</u> Barbara M. Baumann	Chair and Director	February 15, 2023
<u>/s/ JOHN E. BETHANCOURT</u> John E. Bethancourt	Director	February 15, 2023
<u>/s/ ANN G. FOX</u> Ann G. Fox	Director	February 15, 2023
<u>/s/ GENNIFER F. KELLY</u> Gennifer F. Kelly	Director	February 15, 2023
<u>/s/ KELT KINDICK</u> Kelt Kindick	Director	February 15, 2023
<u>/s/ JOHN KRENICKI JR.</u> John Krenicki Jr.	Director	February 15, 2023
<u>/s/ KARL F. KURZ</u> Karl F. Kurz	Director	February 15, 2023
<u>/s/ MICHAEL N. MEARS</u> Michael N. Mears	Director	February 15, 2023
<u>/s/ ROBERT A. MOSBACHER, JR.</u> Robert A. Mosbacher, Jr.	Director	February 15, 2023
<u>/s/ DUANE C. RADTKE</u> Duane C. Radtke	Director	February 15, 2023
<u>/s/ VALERIE M. WILLIAMS</u> Valerie M. Williams	Director	February 15, 2023

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