

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

Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2024

or

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

Commission File Number 001-32318



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

Delaware
(State or other jurisdiction of
incorporation or organization)

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

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

73102-5015
(Zip code)

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

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

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

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

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

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

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

Large accelerated filer	☒	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 is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

On July 24, 2024, 626.2 million shares of common stock were outstanding.

DEVON ENERGY CORPORATION

FORM 10-Q

TABLE OF CONTENTS

Part I. Financial Information

Item 1.	Financial Statements	6
	Consolidated Statements of Comprehensive Earnings	6
	Consolidated Balance Sheets	7
	Consolidated Statements of Cash Flows	8
	Consolidated Statements of Equity	9
	Notes to Consolidated Financial Statements	10
	Note 1 – Summary of Significant Accounting Policies	10
	Note 2 – Acquisitions and Divestitures	11
	Note 3 – Derivative Financial Instruments	12
	Note 4 – Share-Based Compensation	14
	Note 5 – Income Taxes	15
	Note 6 – Net Earnings Per Share	15
	Note 7 – Other Comprehensive Earnings (Loss)	16
	Note 8 – Supplemental Information to Statements of Cash Flows	16
	Note 9 – Accounts Receivable	16
	Note 10 – Property, Plant and Equipment	17
	Note 11 – Debt and Related Expenses	17
	Note 12 – Leases	18
	Note 13 – Asset Retirement Obligations	18
	Note 14 – Stockholders' Equity	19
	Note 15 – Commitments and Contingencies	19
	Note 16 – Fair Value Measurements	21
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	22
	Executive Overview	22
	Results of Operations	23
	Capital Resources, Uses and Liquidity	31
	Critical Accounting Estimates	34
	Non-GAAP Measures	34
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	35
Item 4.	Controls and Procedures	36

Part II. Other Information

Item 1.	Legal Proceedings	37
Item 1A.	Risk Factors	37
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	37
Item 3.	Defaults Upon Senior Securities	37
Item 4.	Mine Safety Disclosures	37
Item 5.	Other Information	37
Item 6.	Exhibits	38

Signatures	39
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DEFINITIONS

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

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

“2023 Senior Credit Facility” means Devon’s syndicated unsecured revolving line of credit, effective as of March 24, 2023.

“ASU” means Accounting Standards Update.

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

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

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

“ESG” means environmental, social and governance.

“FASB” means Financial Accounting Standards Board.

“Fervo” means Fervo Energy Company.

“G&A” means general and administrative expenses.

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

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

“LOE” means lease operating expenses.

“Matterhorn” refers to Matterhorn Express Pipeline, LLC and, as applicable, its direct parent, MXP Parent, LLC.

“MBbls” means thousand barrels.

“MBoe” means thousand Boe.

“Mcf” means thousand cubic feet.

“MMBoe” means million Boe.

“MMBtu” means million Btu.

“MMcf” means million cubic feet.

“N/M” means not meaningful.

[Table of Contents](#)

“NCI” means noncontrolling interests.

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

“NYMEX” means New York Mercantile Exchange.

“SEC” means United States Securities and Exchange Commission.

“TSR” means total shareholder return.

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

“VIE” means variable interest entity.

“Water JV” means NDB Midstream L.L.C.

“WTI” means West Texas Intermediate.

“/Bbl” means per barrel.

“/d” means per day.

“/MMBtu” means per MMBtu.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This report includes “forward-looking statements” as defined by the SEC. Such statements include those concerning strategic plans, our expectations and objectives for future operations, as well as other future events or conditions, and are often identified by use of the words and phrases “expects,” “believes,” “will,” “would,” “could,” “continue,” “may,” “aims,” “likely to be,” “intends,” “forecasts,” “projections,” “estimates,” “plans,” “expectations,” “targets,” “opportunities,” “potential,” “anticipates,” “outlook” and other similar terminology. All statements, other than statements of historical facts, included in this report that address activities, events or developments that Devon expects, believes or anticipates will or may occur in the future are forward-looking statements. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond our control. Consequently, actual future results could differ materially 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;
- climate change and risks related to regulatory, social and market efforts to address climate change;
- governmental interventions in energy markets;
- counterparty credit risks;
- risks relating to our indebtedness;
- cybersecurity risks;
- risks relating to global pandemics;
- 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, our [2023 Annual Report on Form 10-K](#) and our other filings with the SEC.

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. Financial Information

Item 1. Financial Statements

DEVON ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Unaudited)			
Oil, gas and NGL sales	\$ 2,796	\$ 2,493	\$ 5,425	\$ 5,172
Oil, gas and NGL derivatives	23	(76)	(122)	(12)
Marketing and midstream revenues	1,098	1,037	2,210	2,117
Total revenues	3,917	3,454	7,513	7,277
Production expenses	788	719	1,539	1,412
Exploration expenses	3	10	12	13
Marketing and midstream expenses	1,108	1,051	2,241	2,156
Depreciation, depletion and amortization	768	638	1,490	1,253
Asset dispositions	15	(41)	16	(41)
General and administrative expenses	114	92	228	198
Financing costs, net	76	78	152	150
Other, net	5	10	27	15
Total expenses	2,877	2,557	5,705	5,156
Earnings before income taxes	1,040	897	1,808	2,121
Income tax expense	185	199	344	420
Net earnings	855	698	1,464	1,701
Net earnings attributable to noncontrolling interests	11	8	24	16
Net earnings attributable to Devon	\$ 844	\$ 690	\$ 1,440	\$ 1,685
Net earnings per share:				
Basic net earnings per share	\$ 1.35	\$ 1.08	\$ 2.29	\$ 2.61
Diluted net earnings per share	\$ 1.34	\$ 1.07	\$ 2.29	\$ 2.60
Comprehensive earnings:				
Net earnings	\$ 855	\$ 698	\$ 1,464	\$ 1,701
Other comprehensive earnings, net of tax:				
Pension and postretirement plans	1	1	2	2
Other comprehensive earnings, net of tax	1	1	2	2
Comprehensive earnings:	\$ 856	\$ 699	\$ 1,466	\$ 1,703
Comprehensive earnings attributable to noncontrolling interests	11	8	24	16
Comprehensive earnings attributable to Devon	\$ 845	\$ 691	\$ 1,442	\$ 1,687

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	June 30, 2024 (Unaudited)	December 31, 2023
ASSETS		
Current assets:		
Cash, cash equivalents and restricted cash	\$ 1,169	\$ 875
Accounts receivable	1,589	1,573
Inventory	258	249
Other current assets	343	460
Total current assets	3,359	3,157
Oil and gas property and equipment, based on successful efforts accounting, net	18,216	17,825
Other property and equipment, net (\$159 million and \$136 million related to CDM in 2024 and 2023, respectively)	1,569	1,503
Total property and equipment, net	19,785	19,328
Goodwill	753	753
Right-of-use assets	297	267
Investments	704	666
Other long-term assets	264	319
Total assets	<u>\$ 25,162</u>	<u>\$ 24,490</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 754	\$ 760
Revenues and royalties payable	1,363	1,222
Short-term debt	475	483
Other current liabilities	424	484
Total current liabilities	3,016	2,949
Long-term debt	5,665	5,672
Lease liabilities	315	295
Asset retirement obligations	691	643
Other long-term liabilities	829	876
Deferred income taxes	1,917	1,838
Stockholders' equity:		
Common stock, \$0.10 par value. Authorized 1.0 billion shares; issued 628 million and 636 million shares in 2024 and 2023, respectively	63	64
Additional paid-in capital	5,478	5,939
Retained earnings	7,132	6,195
Accumulated other comprehensive loss	(122)	(124)
Treasury stock, at cost, 0.3 million shares in 2023	—	(13)
Total stockholders' equity attributable to Devon	12,551	12,061
Noncontrolling interests	178	156
Total equity	12,729	12,217
Total liabilities and equity	<u>\$ 25,162</u>	<u>\$ 24,490</u>

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
	(Unaudited)			
Cash flows from operating activities:				
Net earnings	\$ 855	\$ 698	\$ 1,464	\$ 1,701
Adjustments to reconcile net earnings to net cash from operating activities:				
Depreciation, depletion and amortization	768	638	1,490	1,253
Leasehold impairments	1	3	1	3
Amortization of liabilities	—	(8)	—	(15)
Total (gains) losses on commodity derivatives	(23)	76	122	12
Cash settlements on commodity derivatives	54	37	78	50
(Gains) losses on asset dispositions	15	(41)	16	(41)
Deferred income tax expense	39	119	79	199
Share-based compensation	27	25	51	48
Other	—	(2)	3	—
Changes in assets and liabilities, net	(201)	(140)	(31)	(128)
Net cash from operating activities	1,535	1,405	3,273	3,082
Cash flows from investing activities:				
Capital expenditures	(948)	(1,079)	(1,842)	(2,091)
Acquisitions of property and equipment	(82)	(18)	(90)	(31)
Divestitures of property and equipment	1	1	18	22
Distributions from investments	11	9	22	17
Contributions to investments and other	(1)	(15)	(48)	(52)
Net cash from investing activities	(1,019)	(1,102)	(1,940)	(2,135)
Cash flows from financing activities:				
Repurchases of common stock	(256)	(228)	(461)	(745)
Dividends paid on common stock	(223)	(462)	(522)	(1,058)
Contributions from noncontrolling interests	12	8	24	8
Distributions to noncontrolling interests	(19)	(13)	(26)	(24)
Shares exchanged for tax withholdings and other	(9)	(9)	(51)	(96)
Net cash from financing activities	(495)	(704)	(1,036)	(1,915)
Effect of exchange rate changes on cash	(1)	2	(3)	2
Net change in cash, cash equivalents and restricted cash	20	(399)	294	(966)
Cash, cash equivalents and restricted cash at beginning of period	1,149	887	875	1,454
Cash, cash equivalents and restricted cash at end of period	<u>\$ 1,169</u>	<u>\$ 488</u>	<u>\$ 1,169</u>	<u>\$ 488</u>
Reconciliation of cash, cash equivalents and restricted cash:				
Cash and cash equivalents	\$ 1,140	\$ 372	\$ 1,140	\$ 372
Restricted cash	29	116	29	116
Total cash, cash equivalents and restricted cash	<u>\$ 1,169</u>	<u>\$ 488</u>	<u>\$ 1,169</u>	<u>\$ 488</u>

See accompanying notes to consolidated financial statements.

DEVON ENERGY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY

	Common Stock		Additional		Retained		Other Comprehensive Earnings		Treasury	Noncontrolling	Total
	Shares	Amount	Paid-In	Capital	Earnings	(Unaudited)	(Loss)		Stock	Interests	Equity
Three Months Ended June 30, 2024											
Balance as of March 31, 2024	633	\$ 63	\$ 5,718	\$ 6,509	\$ (123)	\$ —	\$ —	\$ 174	\$ 12,341		
Net earnings	—	—	—	844	—	—	—	11	855		
Other comprehensive earnings, net of tax	—	—	—	—	1	—	—	—	1		
Common stock repurchased	—	—	(3)	—	—	(264)	—	—	(267)		
Common stock retired	(5)	—	(264)	—	—	264	—	—	—		
Common stock dividends	—	—	—	(221)	—	—	—	—	(221)		
Share-based compensation	—	—	27	—	—	—	—	—	27		
Contributions from noncontrolling interests	—	—	—	—	—	—	—	12	12		
Distributions to noncontrolling interests	—	—	—	—	—	—	—	(19)	(19)		
Balance as of June 30, 2024	628	\$ 63	\$ 5,478	\$ 7,132	\$ (122)	\$ —	\$ 178	\$ 12,729			
Three Months Ended June 30, 2023											
Balance as of March 31, 2023	645	\$ 64	\$ 6,344	\$ 4,712	\$ (115)	\$ (28)	\$ 126	\$ 11,103			
Net earnings	—	—	—	690	—	—	8	698			
Other comprehensive earnings, net of tax	—	—	—	—	1	—	—	1			
Common stock repurchased	—	—	(2)	—	—	(208)	—	(210)			
Common stock retired	(4)	—	(236)	—	—	236	—	—	—		
Common stock dividends	—	—	—	(462)	—	—	—	(462)			
Share-based compensation	—	—	25	—	—	—	—	25			
Contributions from noncontrolling interests	—	—	—	—	—	—	8	8			
Distributions to noncontrolling interests	—	—	—	—	—	—	(13)	(13)			
Balance as of June 30, 2023	641	\$ 64	\$ 6,131	\$ 4,940	\$ (114)	\$ —	\$ 129	\$ 11,150			
Six Months Ended June 30, 2024											
Balance as of December 31, 2023	636	\$ 64	\$ 5,939	\$ 6,195	\$ (124)	\$ (13)	\$ 156	\$ 12,217			
Net earnings	—	—	—	1,440	—	—	24	1,464			
Other comprehensive earnings, net of tax	—	—	—	—	2	—	—	2			
Restricted stock grants, net of cancellations	2	—	—	—	—	—	—	—	—		
Common stock repurchased	—	—	(4)	—	—	(496)	—	(500)			
Common stock retired	(11)	(1)	(508)	—	—	509	—	—	—		
Common stock dividends	—	—	—	(503)	—	—	—	(503)			
Share-based compensation	1	—	51	—	—	—	—	51			
Contributions from noncontrolling interests	—	—	—	—	—	—	24	24			
Distributions to noncontrolling interests	—	—	—	—	—	—	(26)	(26)			
Balance as of June 30, 2024	628	\$ 63	\$ 5,478	\$ 7,132	\$ (122)	\$ —	\$ 178	\$ 12,729			
Six Months Ended June 30, 2023											
Balance as of December 31, 2022	653	\$ 65	\$ 6,921	\$ 4,297	\$ (116)	\$ —	\$ 129	\$ 11,296			
Net earnings	—	—	—	1,685	—	—	16	1,701			
Other comprehensive earnings, net of tax	—	—	—	—	2	—	—	2			
Restricted stock grants, net of cancellations	2	—	—	—	—	—	—	—	—		
Common stock repurchased	—	—	(6)	—	—	(833)	—	(839)			
Common stock retired	(15)	(1)	(832)	—	—	833	—	—	—		
Common stock dividends	—	—	—	(1,042)	—	—	—	(1,042)			
Share-based compensation	1	—	48	—	—	—	—	48			
Contributions from noncontrolling interests	—	—	—	—	—	—	8	8			
Distributions to noncontrolling interests	—	—	—	—	—	—	(24)	(24)			
Balance as of June 30, 2023	641	\$ 64	\$ 6,131	\$ 4,940	\$ (114)	\$ —	\$ 129	\$ 11,150			

See accompanying notes to consolidated financial statements.

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

1. Summary of Significant Accounting Policies

The accompanying unaudited interim financial statements and notes of Devon have been prepared pursuant to the rules and regulations of the SEC. Pursuant to such rules and regulations, certain disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been omitted. The accompanying unaudited interim financial statements and notes should be read in conjunction with the financial statements and notes included in Devon's [2023 Annual Report on Form 10-K](#). The accompanying unaudited interim financial statements in this report reflect all adjustments that are, in the opinion of management, necessary for a fair statement of Devon's results of operations and cash flows for the three-month and six-month periods ended June 30, 2024 and 2023 and Devon's financial position as of June 30, 2024.

Variable Interest Entity

CDM is a joint venture entity formed by Devon and an affiliate of QL Capital Partners, LP. CDM provides gathering, compression and dehydration services for natural gas production in the Cotton Draw area of 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. 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

The following table presents Devon's investments.

Investments	% Interest	Carrying Amount	
		June 30, 2024	December 31, 2023
Catalyst	50%	\$ 291	\$ 311
Water JV	30%	218	216
Matterhorn	12.5%	90	90
Fervo	12%	56	—
Other	Various	49	49
Total		<u>\$ 704</u>	<u>\$ 666</u>

Devon has an interest in Catalyst, which is a joint venture with 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 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. Devon accounts for the investment in Catalyst as an equity method investment. Devon's investment in Catalyst is shown within investments on the consolidated balance sheets and Devon's share of Catalyst earnings are reflected as a component of other, net in the accompanying consolidated statements of comprehensive earnings.

In the second quarter of 2023, Devon made an investment in the Water JV, a joint venture entity formed with an affiliate of WaterBridge NDB LLC ("WaterBridge"), for the purpose of providing increased capacity and flexibility in disposing of produced water in the Delaware Basin and Eagle Ford. Under terms of the arrangement, Devon contributed water infrastructure assets and committed to a water gathering and disposal dedication to the Water JV through 2038, in exchange for a 30% voting interest in the joint venture legal entity. WaterBridge contributed water infrastructure assets to the Water JV, in exchange for a 70% voting interest in the joint venture legal entity and will serve as the operator. In the second quarter of 2023, Devon recognized a \$64 million gain in asset dispositions in the consolidated statements of comprehensive earnings, which represented the excess of the estimated fair value of Devon's interest in the Water JV over the carrying value of the water infrastructure assets Devon contributed to the Water JV. Devon accounts for the investment in the Water JV as an equity method investment. Devon's investment in the Water JV is shown within investments on the consolidated balance sheets and Devon's share of the Water JV earnings are reflected as a component of other, net in the accompanying consolidated statements of comprehensive earnings.

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

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.

In the first quarter of 2024, Devon committed to invest approximately \$100 million in Fervo, a company that generates energy from geothermal wells. As of June 30, 2024, Devon has funded approximately \$55 million of the commitment and expects to fund the remaining \$45 million commitment throughout 2024. The investment in Fervo allows Devon to exercise significant influence over Fervo, and the investment is accounted for under the equity method of accounting. Devon's investment in Fervo is shown within investments on the consolidated balance sheets and Devon's share of Fervo earnings are reflected as a component of other, net in the accompanying consolidated statements of comprehensive earnings.

Disaggregation of Revenue

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Oil	\$ 2,413	\$ 2,106	\$ 4,602	\$ 4,249
Gas	57	122	185	335
NGL	326	265	638	588
Oil, gas and NGL sales	2,796	2,493	5,425	5,172
Oil	801	735	1,608	1,465
Gas	100	123	221	275
NGL	197	179	381	377
Marketing and midstream revenues	1,098	1,037	2,210	2,117
Total revenues from contracts with customers	<u>\$ 3,894</u>	<u>\$ 3,530</u>	<u>\$ 7,635</u>	<u>\$ 7,289</u>

Recently Issued Accounting Standards Not Yet Adopted

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures. ASU 2023-09 intends to provide investors with enhanced information about an entity's income taxes by requiring disclosure of items such as disaggregation of the effective tax rate reconciliation as well as information regarding income taxes paid. This ASU is effective for annual reporting periods beginning after December 15, 2024, with early adoption permitted for annual financial statements that have not yet been issued. Devon is evaluating the impact this ASU will have on the disclosures that accompany its consolidated financial statements.

In November 2023, the FASB issued ASU 2023-07, Improvements to Reportable Segments Disclosures. Under this ASU, the scope and frequency of segment disclosures is increased to provide investors with additional detail about information utilized by an entity's "Chief Operating Decision Maker." This ASU is effective for Devon beginning with our 2024 annual reporting and interim periods beginning in 2025. Devon is evaluating the impact this ASU will have on the disclosures that accompany its consolidated financial statements.

2. Acquisitions and Divestitures

Acquisition

In July 2024, Devon announced it had entered into an agreement to acquire the Williston Basin business of Grayson Mill Energy. The purchase price for the transaction consists of \$3.25 billion of cash and approximately 37 million shares of Devon common stock, in each case subject to various purchase price adjustments. Devon plans to fund the cash portion of the purchase price through cash on hand and debt, which we expect to include a combination of term loans and bond issuances. The transaction is expected to close by the end of the third quarter of 2024, subject to regulatory approvals and other customary closing conditions.

Contingent Earnout Payments

Devon is entitled to contingent earnout payments associated with the sale of its Barnett Shale assets in 2020 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

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

January 1, 2021 and has a term of four years. Devon received \$20 million in contingent earnout payments related to this transaction in the first quarter of 2024 and \$65 million in the first quarter of 2023. Devon could also receive up to an additional \$65 million in contingent earnout payments for the remaining performance period depending on future commodity prices. The valuation of the future contingent earnout payment included within other current assets in the June 30, 2024 consolidated balance sheet was approximately \$20 million. This value was derived utilizing a Monte Carlo valuation model and qualifies as a level 3 fair value measurement.

Devon also received \$4 million in contingent earnout payments in the first quarter of 2023 related to the sale of non-core assets in the Rockies.

3. Derivative Financial Instruments

Objectives and Strategies

Devon enters into derivative financial instruments with respect to a portion of its oil, gas and NGL production to hedge future prices received. Additionally, Devon periodically enters into derivative financial instruments with respect to a portion of its oil, gas and NGL marketing activities. These commodity derivative financial instruments include financial price swaps, basis swaps and costless price collars. Devon also periodically enters into interest rate swaps to manage its exposure to interest rate volatility. As of June 30, 2024, Devon did not have any open interest rate contracts.

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

Counterparty Credit Risk

By using derivative financial instruments, Devon is exposed to credit risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. To mitigate this risk, the hedging instruments are placed with a number of counterparties whom Devon believes are acceptable credit risks. It is Devon's policy to enter into derivative contracts only with investment-grade rated counterparties deemed by management to be competent and competitive market makers. Additionally, Devon's derivative contracts generally contain provisions that provide for collateral payments if Devon's or its counterparty's credit rating falls below certain credit rating levels. As of June 30, 2024, Devon neither held cash collateral of its counterparties nor posted cash collateral to its counterparties.

Commodity Derivatives

As of June 30, 2024, 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.

Price Swaps			Price Collars		
Period	Volume (Bbls/d)	Weighted Average Price (\$/Bbl)	Volume (Bbls/d)	Weighted Average Floor Price (\$/Bbl)	Weighted Average Ceiling Price (\$/Bbl)
Q3-Q4 2024	28,000	\$ 78.97	83,000	\$ 67.80	\$ 85.04
Q1-Q4 2025	4,468	\$ 72.83	5,992	\$ 70.00	\$ 77.97

Oil Basis Swaps		
Period	Index	Weighted Average Differential to WTI (\$/Bbl)
Q3-Q4 2024	Midland Sweet	69,500 \$ 1.17
Q3-Q4 2024	NYMEX Roll	26,000 \$ 0.82
Q1-Q4 2025	Midland Sweet	63,000 \$ 1.00
Q1-Q4 2026	Midland Sweet	18,000 \$ 1.21

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

As of June 30, 2024, 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.

Price Swaps			Price Collars			Weighted Average Ceiling Price (\$/MMBtu)
Period	Volume (MMBtu/d)	Weighted Average Price (\$/MMBtu)	Volume (MMBtu/d)	Weighted Average Floor Price (\$/MMBtu)		
Q3-Q4 2024	279,000	\$ 3.18	15,000	\$ 3.00	\$	3.65
Q1-Q4 2025	200,537	\$ 3.34	15,000	\$ 3.00	\$	3.65
Q1-Q4 2026	80,000	\$ 3.90	—	—		—

Natural Gas Basis Swaps				Weighted Average Differential to Henry Hub (\$/MMBtu)
Period	Index	Volume (MMBtu/d)		
Q3-Q4 2024	El Paso Natural Gas	10,000	\$	(1.00)
Q3-Q4 2024	Houston Ship Channel	160,000	\$	(0.28)
Q3-Q4 2024	WAHA	80,000	\$	(0.74)
Q1-Q4 2025	Houston Ship Channel	40,000	\$	(0.35)
Q1-Q4 2025	WAHA	10,000	\$	(0.63)
Q1-Q4 2026	Houston Ship Channel	25,000	\$	(0.25)

As of June 30, 2024, Devon had the following open NGL derivative positions. Devon's NGL positions settle against the average of the prompt month OPIS Mont Belvieu, Texas index.

Price Swaps			Weighted Average Price (\$/Bbl)
Period	Product	Volume (Bbls/d)	
Q3-Q4 2024	Natural Gasoline	3,000	\$ 69.11
Q3-Q4 2024	Normal Butane	3,350	\$ 37.58
Q3-Q4 2024	Propane	5,250	\$ 33.01

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 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 June 30, 2024 and December 31, 2023.

	June 30, 2024			December 31, 2023			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	\$ 44	\$ (15)	\$ 29	\$ 213	\$ (5)	\$ 208	Other current assets
Long-term derivative asset	5	(3)	2	—	—	—	Other long-term assets
Short-term derivative liability	(39)	15	(24)	(7)	5	(2)	Other current liabilities
Long-term derivative liability	(10)	3	(7)	(7)	—	(7)	Other long-term liabilities
Total derivative asset	\$ —	\$ —	\$ —	\$ 199	\$ —	\$ 199	

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

4.Share-Based Compensation

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

	Six Months Ended June 30,	
	2024	2023
G&A	\$ 50	\$ 48
Exploration expenses	1	—
Total	<u>\$ 51</u>	<u>\$ 48</u>
Related income tax benefit	\$ 18	\$ 27

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

	Restricted Stock Awards & Units		Performance Share Units	
	Awards/Units	Weighted Average Grant-Date Fair Value (Thousands, except fair value data)	Units	Weighted Average Grant-Date Fair Value
Unvested at 12/31/23	4,033	\$ 42.10	1,547	\$ 43.25
Granted	1,883	\$ 42.46	858	\$ 40.41
Vested	(1,789)	\$ 34.84	(1,226)	\$ 18.08
Forfeited	(58)	\$ 45.04	—	\$ —
Unvested at 6/30/24	<u>4,069</u>	<u>\$ 45.42</u>	<u>1,179 ⁽¹⁾</u>	<u>\$ 67.38</u>

(1) A maximum of 2.4 million common shares could be awarded based upon Devon's final TSR ranking.

The following table presents the assumptions related to the performance share units granted in 2024, as indicated in the previous summary table. The grants in the previous summary table also include the impacts of performance share units granted in a prior year that vested higher than 100% of target due to Devon's TSR performance compared to our peers.

	2024
Grant-date fair value	\$ 56.99
Risk-free interest rate	4.28%
Volatility factor	46.03%
Contractual term (years)	2.89

The following table presents a summary of the unrecognized compensation cost and the related weighted average recognition period associated with unvested awards and units as of June 30, 2024.

	Restricted Stock Awards/Units	Performance Share Units
Unrecognized compensation cost	\$ 128	\$ 33
Weighted average period for recognition (years)	2.8	1.8

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

5. Income Taxes

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Earnings before income taxes	\$ 1,040	\$ 897	\$ 1,808	\$ 2,121
Current income tax expense	\$ 146	\$ 80	\$ 265	\$ 221
Deferred income tax expense	39	119	79	199
Total income tax expense	<u>\$ 185</u>	<u>\$ 199</u>	<u>\$ 344</u>	<u>\$ 420</u>
U.S. statutory income tax rate	21%	21%	21%	21%
State income taxes	1%	1%	1%	1%
Income tax credits	(4%)	—	(3%)	(2%)
Effective income tax rate	<u>18%</u>	<u>22%</u>	<u>19%</u>	<u>20%</u>

In the first six months of 2024 and 2023, Devon recognized income tax credits associated with its qualified research activities.

6. Net Earnings Per Share

The following table reconciles net earnings available to common shareholders and weighted-average common shares outstanding used in the calculations of basic and diluted net earnings per share.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net earnings available to common shareholders - basic and diluted	\$ 844	\$ 687	\$ 1,440	\$ 1,674
Common shares:				
Average common shares outstanding - basic	626	638	628	641
Dilutive effect of potential common shares issuable	2	1	2	2
Average common shares outstanding - diluted	<u>628</u>	<u>639</u>	<u>630</u>	<u>643</u>
Net earnings per share available to common shareholders:				
Basic	\$ 1.35	\$ 1.08	\$ 2.29	\$ 2.61
Diluted	\$ 1.34	\$ 1.07	\$ 2.29	\$ 2.60

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

7. Other Comprehensive Earnings (Loss)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Pension and postretirement benefit plans:				
Beginning accumulated pension and postretirement benefits	\$ (123)	\$ (115)	\$ (124)	\$ (116)
Recognition of net actuarial loss and prior service cost in earnings ⁽¹⁾	2	2	3	3
Income tax expense	(1)	(1)	(1)	(1)
Accumulated other comprehensive loss, net of tax	<u>\$ (122)</u>	<u>\$ (114)</u>	<u>\$ (122)</u>	<u>\$ (114)</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.

8. Supplemental Information to Statements of Cash Flows

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Changes in assets and liabilities, net:				
Accounts receivable	\$ 81	\$ 98	\$ (15)	\$ 248
Other current assets	(84)	(12)	(107)	4
Other long-term assets	(16)	(13)	33	18
Accounts payable and revenues and royalties payable	42	(65)	185	(230)
Other current liabilities	(224)	(138)	(108)	(141)
Other long-term liabilities	—	(10)	(19)	(27)
Total	<u>\$ (201)</u>	<u>\$ (140)</u>	<u>\$ (31)</u>	<u>\$ (128)</u>
Supplementary cash flow data:				
Interest paid	\$ 112	\$ 88	\$ 175	\$ 189
Income taxes paid	\$ 388	\$ 259	\$ 384	\$ 259

Devon's non-cash investing activities for the three and six months ended June 30, 2023, included approximately \$150 million of contributions of other property and equipment for the formation of the Water JV.

9. Accounts Receivable

Components of accounts receivable include the following:

	June 30, 2024	December 31, 2023
Oil, gas and NGL sales	\$ 941	\$ 965
Joint interest billings	253	251
Marketing and midstream revenues	370	342
Other	32	22
Gross accounts receivable	1,596	1,580
Allowance for doubtful accounts	(7)	(7)
Net accounts receivable	<u>\$ 1,589</u>	<u>\$ 1,573</u>

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

10. Property, Plant and Equipment

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

	June 30, 2024	December 31, 2023
Property and equipment:		
Proved	\$ 48,402	\$ 46,659
Unproved and properties under development	1,370	1,279
Total oil and gas	49,772	47,938
Less accumulated DD&A	(31,556)	(30,113)
Oil and gas property and equipment, net	18,216	17,825
Other property and equipment	2,386	2,289
Less accumulated DD&A	(817)	(786)
Other property and equipment, net ⁽¹⁾	1,569	1,503
Property and equipment, net	<u>\$ 19,785</u>	<u>\$ 19,328</u>

(1)\$159 million and \$136 million related to CDM in 2024 and 2023, respectively.

11. Debt and Related Expenses

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

	June 30, 2024	December 31, 2023
5.25% due September 15, 2024	\$ 472	\$ 472
5.85% due December 15, 2025	485	485
7.50% due September 15, 2027	73	73
5.25% due October 15, 2027	390	390
5.875% due June 15, 2028	325	325
4.50% due January 15, 2030	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	49	64
Debt issuance costs	(30)	(30)
Total debt	\$ 6,140	\$ 6,155
Less amount classified as short-term debt	475	483
Total long-term debt	<u>\$ 5,665</u>	<u>\$ 5,672</u>

Retirement of Senior Notes

On August 1, 2023, Devon repaid the \$242 million of 8.25% senior notes at maturity.

Credit Lines

In 2023, Devon amended and restated its 2018 Senior Credit Facility to provide for a new \$3.0 billion revolving 2023 Senior Credit Facility. In the first quarter of 2024, Devon exercised its option to extend the 2023 Senior Credit Facility maturity date from March 24, 2028 to March 24, 2029. Devon has the option to extend the March 24, 2029 maturity date by two additional one-year periods subject to lender consent. As of June 30, 2024, Devon had no outstanding borrowings under the 2023 Senior Credit Facility and had issued \$3 million in outstanding letters of credit under this facility. The 2023 Senior Credit Facility contains only one material financial covenant. This covenant requires Devon's ratio of total funded debt to total capitalization, as defined in the credit agreement, to be no greater than 65%. Under the terms of the credit agreement, total capitalization is adjusted to add back non-cash financial

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

write-downs such as impairments. As of June 30, 2024, Devon was in compliance with this covenant with a debt-to-capitalization ratio of 21.2%.

Net Financing Costs

The following schedule includes the components of net financing costs.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Interest based on debt outstanding	\$ 88	\$ 96	\$ 175	\$ 189
Interest income	(14)	(15)	(27)	(32)
Other	2	(3)	4	(7)
Total net financing costs	<u>\$ 76</u>	<u>\$ 78</u>	<u>\$ 152</u>	<u>\$ 150</u>

12. Leases

The following table presents Devon's right-of-use assets and lease liabilities as of June 30, 2024 and December 31, 2023.

	June 30, 2024			December 31, 2023		
	Finance	Operating	Total	Finance	Operating	Total
Right-of-use assets	\$ 241	\$ 56	\$ 297	\$ 246	\$ 21	\$ 267
Lease liabilities:						
Current lease liabilities ⁽¹⁾	\$ 21	\$ 26	\$ 47	\$ 21	\$ 12	\$ 33
Long-term lease liabilities	285	30	315	286	9	295
Total lease liabilities ⁽²⁾	<u>\$ 306</u>	<u>\$ 56</u>	<u>\$ 362</u>	<u>\$ 307</u>	<u>\$ 21</u>	<u>\$ 328</u>

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

(2)Devon has entered into certain leases of equipment related to the exploration, development and production of oil and gas that had terms not yet commenced as of June 30, 2024 and are therefore excluded from the amounts shown above.

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

13. Asset Retirement Obligations

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

	Six Months Ended June 30,	
	2024	2023
Asset retirement obligations as of beginning of period	\$ 665	\$ 529
Liabilities incurred	15	14
Liabilities settled and divested	(16)	(18)
Revision of estimated obligation	35	27
Accretion expense on discounted obligation	18	14
Asset retirement obligations as of end of period	717	566
Less current portion	26	18
Asset retirement obligations, long-term	<u>\$ 691</u>	<u>\$ 548</u>

During the first six months of 2024, Devon increased its asset retirement obligations by approximately \$35 million primarily due to changes in current cost estimates and future retirement dates for its oil and gas assets. During the first six months of 2023, Devon increased its asset retirement obligations by approximately \$27 million primarily due to inflation-driven increases in cost estimates.

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

14. Stockholders' Equity

Share Repurchases

In July 2024, Devon's Board of Directors authorized an expansion to the company's share repurchase program from \$3.0 billion to \$5.0 billion and extended the expiration date from December 31, 2024 to June 30, 2026. The table below provides information regarding purchases of Devon's common stock under the \$5.0 billion share repurchase program (shares in thousands).

	Total Number of Shares Purchased	Dollar Value of Shares Purchased	Average Price Paid per Share
\$5.0 Billion Plan			
2021	13,983	\$ 589	\$ 42.15
2022	11,708	718	\$ 61.36
2023:			
First quarter	10,090	545	\$ 53.96
Second quarter	3,795	200	\$ 52.70
Fourth quarter	5,465	247	\$ 45.17
2023 Total	19,350	992	\$ 51.23
2024:			
First quarter	4,428	193	\$ 43.47
Second quarter	5,188	256	\$ 49.40
2024 Total	9,616	449	\$ 46.67
Total plan	54,657	\$ 2,748	\$ 50.28

Dividends

Devon pays a quarterly dividend which is comprised of a fixed dividend and a variable dividend. The variable dividend is dependent on quarterly cash flows, among other factors. Devon has raised its fixed dividend multiple times over the past two calendar years and most recently raised it by 10% from \$0.20 to \$0.22 per share in the first quarter of 2024. The following table summarizes Devon's fixed and variable dividends for the first six months of 2024 and 2023, respectively.

	Fixed	Variable	Total	Rate Per Share
2024:				
First quarter	\$ 143	\$ 156	\$ 299	\$ 0.44
Second quarter	138	85	223	\$ 0.35
Total year-to-date	\$ 281	\$ 241	\$ 522	
2023:				
First quarter	\$ 133	\$ 463	\$ 596	\$ 0.89
Second quarter	128	334	462	\$ 0.72
Total year-to-date	\$ 261	\$ 797	\$ 1,058	

In August 2024, Devon announced a cash dividend in the amount of \$0.44 per share payable in the third quarter of 2024. The dividend consists of a \$0.22 per share fixed quarterly dividend and a \$0.22 per share variable quarterly dividend and will total approximately \$276 million.

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.

15. 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.

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

Royalty Matters

Numerous oil and natural gas producers and related parties, including Devon, have been named in various lawsuits alleging royalty underpayments. Devon is currently named as a defendant in a number of such lawsuits, including some lawsuits in which the plaintiffs seek to certify classes of similarly situated plaintiffs. Among the allegations typically asserted in these suits are claims that Devon used below-market prices, made improper deductions, 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 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. As of June 30, 2024, Devon has accrued approximately \$35 million in other current liabilities pertaining to such royalty matters.

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, revegetate 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, undertaking other restorative actions or performing requirements under surface agreements in existence at the time of disposition. For example, a predecessor entity of a Devon subsidiary previously sold certain private, state and federal oil and gas leases covering properties in shallow waters off the coast of Louisiana in the Gulf of Mexico. These assets are generally referred to as the East Bay Field. The current operator of the East Bay Field has filed for protection under Chapter 11 of the U.S. Bankruptcy Code and may be unable to satisfy the eventual decommissioning obligations associated with the East Bay Field. Other companies in the chain of title of the East Bay Field have also sought bankruptcy protection and may be similarly unable to satisfy the eventual decommissioning obligations associated with the East Bay Field. Depending upon the outcome of these bankruptcy proceedings, amounts available under decommissioning bonds and a cash security account and other factors, Devon may be required to perform or fund certain decommissioning obligations associated with the East Bay Field under state and federal regulations applicable to predecessor operators. As a result of these factors and uncertainties, we are currently unable to provide an estimate of potential loss.

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

16. Fair Value Measurements

The following table provides carrying value and fair value measurement information for certain of Devon's financial assets and liabilities. The carrying values of cash, accounts receivable, other current receivables, accounts payable, other current payables, accrued expenses and lease liabilities included in the accompanying consolidated balance sheets approximated fair value at June 30, 2024 and December 31, 2023, as applicable. Therefore, such financial assets and liabilities are not presented in the following table.

	Carrying Amount	Total Fair Value	Level 1 Inputs	Fair Value Measurements Using:		
				Level 2 Inputs	Level 3 Inputs	
June 30, 2024 assets (liabilities):						
Cash equivalents	\$ 487	\$ 487	\$ 487	\$ —	\$ —	
Commodity derivatives	\$ 31	\$ 31	\$ —	\$ 31	\$ —	
Commodity derivatives	\$ (31)	\$ (31)	\$ —	\$ (31)	\$ —	
Debt	\$ (6,140)	\$ (5,932)	\$ —	\$ (5,932)	\$ —	
Contingent earnout payments	\$ 20	\$ 20	\$ —	\$ —	\$ 20	
December 31, 2023 assets (liabilities):						
Cash equivalents	\$ 306	\$ 306	\$ 306	\$ —	\$ —	
Commodity derivatives	\$ 208	\$ 208	\$ —	\$ 208	\$ —	
Commodity derivatives	\$ (9)	\$ (9)	\$ —	\$ (9)	\$ —	
Debt	\$ (6,155)	\$ (6,090)	\$ —	\$ (6,090)	\$ —	
Contingent earnout payments	\$ 55	\$ 55	\$ —	\$ —	\$ 55	

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

Level 1 Fair Value Measurements

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

Level 2 Fair Value Measurements

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

Debt – Devon's debt instruments do not 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 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](#).

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

The following discussion and analysis addresses material changes in our results of operations for the three-month and six-month periods ended June 30, 2024 compared to previous periods, and in our financial condition and liquidity since December 31, 2023. For information regarding our critical accounting policies and estimates, see our [2023 Annual Report on Form 10-K](#) under "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations."

Executive Overview

We are a leading independent oil and natural gas exploration and production company whose operations are focused onshore in the United States. Our operations are currently focused in five core areas: the Delaware Basin, Eagle Ford, Anadarko Basin, Williston Basin and Powder River Basin. Our asset base is underpinned by premium acreage in the economic core of the Delaware Basin and our diverse, top-tier resource plays, providing a deep inventory of opportunities for years to come.

In July 2024, Devon announced it had entered into an agreement to acquire the Williston Basin business of Grayson Mill Energy. The purchase price for the transaction consists of \$3.25 billion of cash and approximately 37 million shares of Devon common stock, in each case subject to various purchase price adjustments. The transaction is expected to close by the end of the third quarter of 2024 and increase our volumes in 2025 by approximately 100 MBoe/d, with approximately 55% being oil. The acquisition will allow us to efficiently expand our oil production and operating scale, creating immediate and long-term, sustainable value to shareholders over time. As evidenced by this recent acquisition, 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 recent performance highlights for these priorities include the following items for the second quarter of 2024:

- Oil production totaled 335 MBbls/d, exceeding our plan by 3%.
- Expanded share repurchase program to \$5.0 billion and have repurchased approximately 54.7 million of our common shares for approximately \$2.7 billion, or \$50.28 per share since inception of the plan.
- Exited with \$4.2 billion of liquidity, including \$1.2 billion of cash.
- Generated \$1.5 billion of operating cash flow and \$6.7 billion for the past twelve trailing months.
- Including variable dividends, paid dividends of \$223 million and have declared approximately \$276 million of dividends to be paid in the third quarter of 2024.
- Earnings attributable to Devon were \$844 million, or \$1.34 per diluted share.
- Core earnings (Non-GAAP) were \$885 million, or \$1.41 per diluted share.

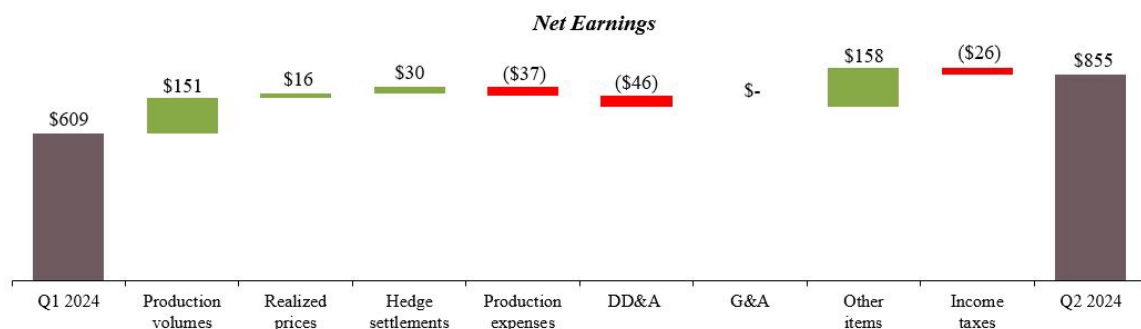
We remain committed to capital discipline and delivering the objectives that underpin our current plan. Those objectives prioritize value creation through moderated capital investment and production growth, particularly with a view of the volatility in commodity prices, supply chain constraints and the economic uncertainty arising from inflation and geopolitical events. Our cash-return objectives remain focused on opportunistic share repurchases, funding our fixed and variable dividends, repaying debt at upcoming maturities and building cash balances.

Results of Operations

The following graphs, discussion and analysis are intended to provide an understanding of our results of operations and current financial condition. To facilitate the review, these numbers are being presented before consideration of noncontrolling interests.

Q2 2024 vs. Q1 2024

Our second quarter 2024 and first quarter 2024 net earnings were \$855 million and \$609 million, respectively. The graph below shows the change in net earnings from the first quarter of 2024 to the second quarter of 2024. The material changes are further discussed by category on the following pages.



Production Volumes

	Q2 2024	% of Total	Q1 2024	Change
Oil (MMbbls/d)				
Delaware Basin	221	66%	208	6%
Eagle Ford	46	14%	43	8%
Anadarko Basin	14	4%	11	27%
Williston Basin	37	11%	40	-6%
Powder River Basin	13	4%	13	-1%
Other	4	1%	4	-3%
Total	335	100%	319	5%

	Q2 2024	% of Total	Q1 2024	Change
Gas (MMcfd)				
Delaware Basin	712	63%	695	2%
Eagle Ford	92	8%	79	16%
Anadarko Basin	244	21%	223	9%
Williston Basin	71	6%	63	13%
Powder River Basin	18	2%	18	0%
Other	—	0%	1	N/M
Total	1,137	100%	1,079	5%

	Q2 2024	% of Total	Q1 2024	Change
NGLs (MMbbls/d)				
Delaware Basin	121	66%	113	7%
Eagle Ford	17	10%	14	26%
Anadarko Basin	30	16%	26	15%
Williston Basin	12	7%	10	19%
Powder River Basin	2	1%	2	3%
Other	—	0%	—	N/M
Total	182	100%	165	11%

[Table of Contents](#)

	Q2 2024	% of Total	Q1 2024	Change
Combined (MBoe/d)				
Delaware Basin	461	65 %	437	5 %
Eagle Ford	79	11 %	70	13 %
Anadarko Basin	84	12 %	74	14 %
Williston Basin	61	9 %	61	1 %
Powder River Basin	18	2 %	18	0 %
Other	4	1 %	4	0 %
Total	<u>707</u>	<u>100 %</u>	<u>664</u>	7 %

From the first quarter of 2024 to the second quarter of 2024, the change in volumes contributed to a \$151 million increase in earnings. The increase in volumes was primarily due to new well activity in the Delaware Basin, Anadarko Basin and Eagle Ford.

Realized Prices

	Q2 2024	Realization	Q1 2024	Change
Oil (per Bbl)				
WTI index	\$ 80.62		\$ 77.01	5 %
Realized price, unhedged	\$ 79.10	98%	\$ 75.40	5 %
Cash settlements	\$ (0.15)		\$ (0.25)	
Realized price, with hedges	<u>\$ 78.95</u>	98%	<u>\$ 75.15</u>	5 %

	Q2 2024	Realization	Q1 2024	Change
Gas (per Mcf)				
Henry Hub index	\$ 1.89		\$ 2.25	-16 %
Realized price, unhedged	\$ 0.55	29%	\$ 1.30	-58 %
Cash settlements	\$ 0.55		\$ 0.32	
Realized price, with hedges	<u>\$ 1.10</u>	58%	<u>\$ 1.62</u>	-32 %

	Q2 2024	Realization	Q1 2024	Change
NGLs (per Bbl)				
WTI index	\$ 80.62		\$ 77.01	5 %
Realized price, unhedged	\$ 19.60	24%	\$ 20.81	-6 %
Cash settlements	\$ 0.11		\$ (0.08)	
Realized price, with hedges	<u>\$ 19.71</u>	24%	<u>\$ 20.73</u>	-5 %

	Q2 2024	Q1 2024	Change
Combined (per Boe)			
Realized price, unhedged	\$ 43.44	\$ 43.52	0 %
Cash settlements	\$ 0.85	\$ 0.39	
Realized price, with hedges	<u>\$ 44.29</u>	<u>\$ 43.91</u>	1 %

From the first quarter of 2024 to the second quarter of 2024, realized prices contributed to a \$16 million increase in earnings. Unhedged oil prices increased primarily due to higher WTI index prices, while unhedged gas and NGL prices decreased primarily due to lower Henry Hub and Mont Belvieu index prices. The decrease in the Henry Hub index price was partially offset by hedge cash settlements primarily related to gas commodities.

We currently have approximately 30% and 25% of our remaining anticipated 2024 oil and gas production hedged, respectively.

Hedge Settlements

	Q2 2024	Q1 2024	Change
Oil	\$ (5)	\$ (7)	29%
Natural gas	57	32	78%
NGL	2	(1)	N/M
Total cash settlements ⁽¹⁾	<u>\$ 54</u>	<u>\$ 24</u>	125%

(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 “Part I. Financial Information – Item 1. Financial Statements” in this report.

Production Expenses

	Q2 2024	Q1 2024	Change
LOE	\$ 383	\$ 380	1%
Gathering, processing & transportation	197	180	9%
Production taxes	188	175	7%
Property taxes	20	16	25%
Total	<u>\$ 788</u>	<u>\$ 751</u>	5%
Per Boe:			
LOE	\$ 5.95	\$ 6.29	-5%
Gathering, processing & transportation	\$ 3.07	\$ 2.98	3%
Percent of oil, gas and NGL sales:			
Production taxes	6.7%	6.7%	1%

Production expenses increased during the second quarter of 2024 primarily due to increased activity as well as higher production taxes resulting from an increase in oil 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 sales less production expenses and is not a measure defined by GAAP. A reconciliation to the comparable GAAP measures is found in “Non-GAAP Measures” in this Item 2. The changes in production volumes, realized prices and production expenses, shown above, had the following impact on our field-level cash margins by asset.

	Q2 2024	\$ per BOE	Q1 2024	\$ per BOE
Field-level cash margin (Non-GAAP)				
Delaware Basin	\$ 1,346	\$ 32.12	\$ 1,275	\$ 32.06
Eagle Ford	303	42.15	266	41.82
Anadarko Basin	119	15.48	98	14.64
Williston Basin	160	28.62	164	29.74
Powder River Basin	65	39.44	60	36.00
Other	15	N/M	15	N/M
Total	<u>\$ 2,008</u>	<u>\$ 31.19</u>	<u>\$ 1,878</u>	<u>\$ 31.09</u>

DD&A

	Q2 2024	Q1 2024	Change
Oil and gas per Boe	\$ 11.56	\$ 11.57	0%
Oil and gas	\$ 744	\$ 699	6%
Other property and equipment	24	23	2%
Total	<u>\$ 768</u>	<u>\$ 722</u>	6%

DD&A increased in the second quarter of 2024 primarily due to higher volumes.

G&A

	Q2 2024	Q1 2024	Change
G&A per Boe	\$ 1.77	\$ 1.89	-7%
Labor and benefits	\$ 62	\$ 63	-2%
Non-labor	52	51	2%
Total	<u>\$ 114</u>	<u>\$ 114</u>	0%

Other Items

	Q2 2024	Q1 2024	Change in earnings
Commodity hedge valuation changes ⁽¹⁾	\$ (31)	\$ (169)	\$ 138
Marketing and midstream operations	(10)	(21)	11
Exploration expenses	3	9	6
Asset dispositions	15	1	(14)
Net financing costs	76	76	—
Other, net	5	22	17
			<u>\$ 158</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. For additional information, see [Note 3](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

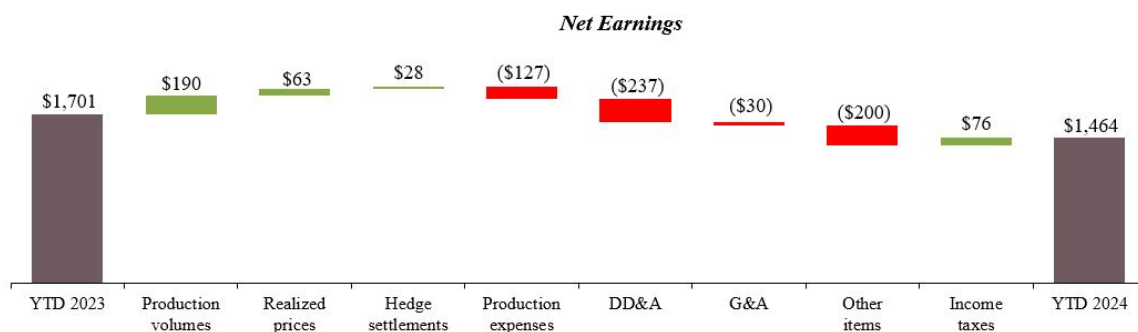
Income Taxes

	Q2 2024	Q1 2024
Current expense	\$ 146	\$ 119
Deferred expense	39	40
Total expense	<u>\$ 185</u>	<u>\$ 159</u>
Current tax rate	14%	16%
Deferred tax rate	4%	5%
Effective income tax rate	<u>18%</u>	<u>21%</u>

For discussion on income taxes, see [Note 5](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

June 30, 2024 YTD vs. June 30, 2023 YTD

Our six months ended June 30, 2024 net earnings were \$1.5 billion, compared to net earnings of \$1.7 billion for the first six months ended June 30, 2023. The graph below shows the change in net earnings from the six months ended June 30, 2023 to the six months ended June 30, 2024. The material changes are further discussed by category on the following pages.



Production Volumes

	2024	Six Months Ended June 30, % of Total	2023	Change
Oil (MBbls/d)				
Delaware Basin	215	66%	210	2%
Eagle Ford	45	13%	43	5%
Anadarko Basin	12	4%	15	-19%
Williston Basin	39	12%	36	8%
Powder River Basin	13	4%	14	-7%
Other	3	1%	4	N/M
Total	<u>327</u>	<u>100%</u>	<u>322</u>	2%

	2024	Six Months Ended June 30, % of Total	2023	Change
Gas (MMcf/d)				
Delaware Basin	703	63%	638	10%
Eagle Ford	86	8%	84	2%
Anadarko Basin	233	21%	245	-5%
Williston Basin	67	6%	57	18%
Powder River Basin	18	2%	17	6%
Other	1	0%	1	N/M
Total	<u>1,108</u>	<u>100%</u>	<u>1,042</u>	6%

	2024	Six Months Ended June 30, % of Total	2023	Change
NGLs (MBbls/d)				
Delaware Basin	117	67%	101	15%
Eagle Ford	16	9%	15	4%
Anadarko Basin	28	16%	29	-3%
Williston Basin	11	7%	9	26%
Powder River Basin	2	1%	2	1%
Other	—	0%	—	N/M
Total	<u>174</u>	<u>100%</u>	<u>156</u>	11%

	2024	Six Months Ended June 30, % of Total	2023	Change
Combined (MBoe/d)				
Delaware Basin	449	65%	418	7%
Eagle Ford	75	10%	71	4%
Anadarko Basin	79	12%	85	-7%
Williston Basin	61	9%	54	12%
Powder River Basin	18	3%	19	-4%
Other	4	1%	5	-8%
Total	<u>686</u>	<u>100%</u>	<u>652</u>	5%

From the six months ended June 30, 2023 to the six months ended June 30, 2024, the change in volumes contributed to a \$190 million increase in earnings. Volumes increased primarily due to new well activity in the Delaware Basin, Williston Basin and Eagle Ford, which was partially offset by natural well declines in the Anadarko Basin.

Realized Prices

	2024	Six Months Ended June 30, Realization	2023	Change
Oil (per Bbl)				
WTI index	\$ 78.82		\$ 74.96	5%
Realized price, unhedged	\$ 77.30	98%	\$ 73.02	6%
Cash settlements	\$ (0.20)		\$ (0.06)	
Realized price, with hedges	<u>\$ 77.10</u>	<u>98%</u>	<u>\$ 72.96</u>	6%

[Table of Contents](#)

	2024	Realization	Six Months Ended June 30, 2023	Change
Gas (per Mcf)				
Henry Hub index	\$ 2.07		\$ 2.77	-25%
Realized price, unhedged	\$ 0.92	44%	\$ 1.77	-48%
Cash settlements	\$ 0.44		\$ 0.29	
Realized price, with hedges	<u>\$ 1.36</u>	66%	<u>\$ 2.06</u>	-34%

	2024	Realization	Six Months Ended June 30, 2023	Change
NGLs (per Bbl)				
WTI index	\$ 78.82		\$ 74.96	5%
Realized price, unhedged	\$ 20.17	26%	\$ 20.79	-3%
Cash settlements	\$ 0.02		\$ —	
Realized price, with hedges	<u>\$ 20.19</u>	26%	<u>\$ 20.79</u>	-3%

	2024	Realization	Six Months Ended June 30, 2023	Change
Combined (per Boe)				
Realized price, unhedged	\$ 43.48		\$ 43.86	-1%
Cash settlements	\$ 0.62		\$ 0.42	
Realized price, with hedges	<u>\$ 44.10</u>		<u>\$ 44.28</u>	0%

From the six months ended June 30, 2023 to the six months ended June 30, 2024, realized prices contributed to a \$63 million increase in earnings. This increase was due to higher unhedged realized oil prices which increased primarily due to higher WTI index prices. This increase was partially offset by a decrease in unhedged realized gas prices which was primarily due to lower Henry Hub index prices. Realized prices were strengthened by hedge cash settlements related primarily to gas commodities in the first six months of 2024.

Hedge Settlements

	2024	Realization	Six Months Ended June 30, 2023	Change
Oil	\$ (12)		\$ (3)	-300%
Natural gas	89		53	68%
NGL	1		—	N/M
Total cash settlements ⁽¹⁾	<u>\$ 78</u>		<u>\$ 50</u>	56%

(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 “Part I. Financial Information – Item 1. Financial Statements” in this report.

Production Expenses

	Six Months Ended June 30,				Change
	2024		2023		
LOE	\$	763	\$	680	12%
Gathering, processing & transportation		377		343	10%
Production taxes		363		340	7%
Property taxes		36		49	-28%
Total	\$	<u>1,539</u>	\$	<u>1,412</u>	9%
Per Boe:					
LOE	\$	6.12	\$	5.77	6%
Gathering, processing & transportation	\$	3.02	\$	2.91	4%
Percent of oil, gas and NGL sales:					
Production taxes		6.7%		6.6%	2%

LOE and gathering, processing and transportation expenses increased for the first six months of 2024 primarily due to increased activity.

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 sales less production expenses and is not a measure defined by GAAP. A reconciliation to the comparable GAAP measures is found in “Non-GAAP Measures” in this Item 2. The changes in production volumes, realized prices and production expenses, shown above, had the following impact on our field-level cash margins by asset.

	Six Months Ended June 30,				\$ per BOE
	2024	\$ per BOE	2023		
Field-level cash margin (Non-GAAP)					
Delaware Basin	\$	2,621	\$	2,530	\$ 33.47
Eagle Ford		570		520	\$ 40.24
Anadarko Basin		217		265	\$ 17.22
Williston Basin		323		284	\$ 29.00
Powder River Basin		125		133	\$ 38.97
Other		30		28	N/M
Total	\$	<u>3,886</u>	\$	<u>3,760</u>	\$ 31.88

DD&A

	Six Months Ended June 30,				Change
	2024		2023		
Oil and gas per Boe	\$	11.56	\$	10.24	13%
Oil and gas	\$	1,443	\$	1,207	20%
Other property and equipment		47		46	2%
Total	\$	<u>1,490</u>	\$	<u>1,253</u>	19%

DD&A increased in the first six months of 2024 primarily due to an increase in the oil and gas DD&A rate. The largest contributor to the higher rate was our 2023 drilling and development activity. DD&A also increased in the first six months of 2024 due to higher volumes.

[Table of Contents](#)

G&A

	Six Months Ended June 30,			
	2024		2023	Change
G&A per Boe	\$	1.83	\$	1.68 9%
Labor and benefits	\$	125	\$	106 18%
Non-labor		103		92 12%
Total	\$	228	\$	198 15%

G&A increased for the six months ended 2024 due to higher labor and non-labor costs.

Other Items

	Six Months Ended June 30,			
	2024		2023	Change in earnings
Commodity hedge valuation changes ⁽¹⁾	\$	(200)	\$	(62) (138)
Marketing and midstream operations		(31)		(39) 8
Exploration expenses		12		13 1
Asset dispositions		16		(41) (57)
Net financing costs		152		150 (2)
Other, net		27		15 (12)
				\$ (200)

(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. For additional information, see [Note 3](#) in "Part I. Financial Information – Item 1. Financial Statements" in this report.

In the second quarter of 2023, we recorded a \$64 million gain within asset dispositions related to the difference between the fair market value and book value of assets contributed to the Water JV. For additional information, see [Note 1](#) in "Part I. Financial Information - Item 1. Financial Statements" in this report.

Income Taxes

	Six Months Ended June 30,			
	2024		2023	
Current expense	\$	265	\$	221
Deferred expense		79		199
Total expense	\$	344	\$	420
Current tax rate		15%		11%
Deferred tax rate		4%		9%
Effective income tax rate		19%		20%

For discussion on income taxes, see [Note 5](#) in "Part I. Financial Information – Item 1. Financial Statements" in this report.

Capital Resources, Uses and Liquidity

Sources and Uses of Cash

The following table presents the major changes in cash and cash equivalents for the three and six months ended June 30, 2024 and 2023.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating cash flow	\$ 1,535	\$ 1,405	\$ 3,273	\$ 3,082
Capital expenditures	(948)	(1,079)	(1,842)	(2,091)
Acquisitions of property and equipment	(82)	(18)	(90)	(31)
Divestitures of property and equipment	1	1	18	22
Investment activity, net	10	(6)	(26)	(35)
Repurchases of common stock	(256)	(228)	(461)	(745)
Common stock dividends	(223)	(462)	(522)	(1,058)
Noncontrolling interest activity, net	(7)	(5)	(2)	(16)
Other	(10)	(7)	(54)	(94)
Net change in cash, cash equivalents and restricted cash	\$ 20	\$ (399)	\$ 294	\$ (966)
Cash, cash equivalents and restricted cash at end of period	\$ 1,169	\$ 488	\$ 1,169	\$ 488

Operating Cash Flow

As presented in the table above, net cash provided by operating activities continued to be a significant source of capital and liquidity. Operating cash flow funded all of our capital expenditures, and we continued to return value to our shareholders by utilizing cash flow and cash balances for dividends and share repurchases.

Capital Expenditures

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Delaware Basin	\$ 539	\$ 644	\$ 1,073	\$ 1,228
Eagle Ford	202	198	359	390
Anadarko Basin	59	79	119	141
Williston Basin	42	83	84	182
Powder River Basin	53	41	86	79
Other	1	1	3	2
Total oil and gas	896	1,046	1,724	2,022
Midstream	30	18	67	34
Other	22	15	51	35
Total capital expenditures	\$ 948	\$ 1,079	\$ 1,842	\$ 2,091

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 the first six months of 2024 represented approximately 56% of our operating cash flow.

Acquisitions of Property and Equipment

During the first six months of 2024, we acquired leasehold interests across our portfolio, including in the Delaware Basin.

Divestitures of Property and Equipment

During the first six months of 2024 and 2023, we received contingent earnout payments related to assets previously sold. For additional information, please see [Note 2](#) in "Part I. Financial Information – Item 1. Financial Statements" in this report.

[Table of Contents](#)

Investment Activity

During the first six months of 2024 and 2023, Devon received distributions from our investments of \$22 million and \$17 million, respectively. Devon contributed \$48 million and \$52 million to our investments during the first six months of 2024 and 2023, respectively.

Shareholder Distributions and Stock Activity

We repurchased approximately 9.6 million shares of common stock for \$449 million and approximately 13.9 million shares of common stock for \$745 million under the share repurchase program authorized by our Board of Directors in the first six months of 2024 and 2023, respectively. For additional information, see [Note 14](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

The following table summarizes our common stock dividends during the second quarter and total for the first six months of 2024 and 2023. Devon has raised its fixed dividend multiple times over the past two calendar years and most recently raised it by 10% from \$0.20 to \$0.22 per share in the first quarter of 2024. In addition to the fixed quarterly dividend, we paid a variable dividend in the first and second quarters of 2024 and 2023.

	Fixed	Variable	Total	Rate Per Share
2024:				
First quarter	\$ 143	\$ 156	\$ 299	\$ 0.44
Second quarter	138	85	223	0.35
Total year-to-date	<u>281</u>	<u>241</u>	<u>522</u>	
2023:				
First quarter	\$ 133	\$ 463	\$ 596	\$ 0.89
Second quarter	128	334	462	0.72
Total year-to-date	<u>261</u>	<u>797</u>	<u>1,058</u>	

Noncontrolling Interest Activity, net

During the first six months of 2024 and 2023, we distributed \$26 million and \$24 million, respectively, to our noncontrolling interests in CDM. During the first six months of 2024 and 2023, we received \$24 million and \$8 million, respectively, in contributions from our noncontrolling interests.

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 landowners 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 accelerate our cash-return business model.

Operating Cash Flow

Key inputs into determining our planned capital investment are the amount of cash we hold and operating cash flow we expect to generate over the next one to three or more years. At the end of the second quarter of 2024, we held approximately \$1.2 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

[Table of Contents](#)

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 June 30, 2024 are presented in [Note 3](#) in “Part I. Financial Information – Item 1. Financial Statements” 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 2024. The currently elevated level of cost inflation has eroded, and could continue to erode, our cost efficiencies gained over previous years and pressure our margins for the remainder of 2024. 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. 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 our 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, joint interest owners and counterparties. Such mechanisms include, under certain conditions, requiring letters of credit, prepayments or cash collateral postings.

Credit Availability

As of June 30, 2024, we had approximately \$3.0 billion of available borrowing capacity under our 2023 Senior Credit Facility. This credit facility supports our \$3.0 billion of short-term credit under our commercial paper program. At June 30, 2024, there were no borrowings under our commercial paper program, and we were in compliance with the Senior Credit Facility’s financial covenant.

Debt Ratings

We receive debt ratings from the major ratings agencies in the U.S. In determining our debt ratings, the agencies consider a number of qualitative and quantitative items including, but not limited to, commodity pricing levels, our liquidity, asset quality, reserve mix, debt levels, cost structure, planned asset sales and the 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.

Cash Returns to Shareholders

We are committed to returning approximately 70% of our free cash flow to shareholders through a fixed dividend, variable dividend and share repurchases. 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. In addition to the fixed quarterly dividend, we may pay a variable dividend or complete share repurchases. Each quarter’s free cash flow, which is a non-GAAP measure, is computed as operating cash flow (a GAAP measure) before balance sheet changes less capital expenditures. 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 August 2024, Devon announced a cash dividend in the amount of \$0.44 per share payable in the third quarter of 2024. The dividend consists of a \$0.22 per share fixed quarterly dividend and a \$0.22 per share variable quarterly dividend and will total approximately \$276 million.

[Table of Contents](#)

Our Board of Directors has authorized a \$5.0 billion share repurchase program that expires June 30, 2026. Through July 2024, we had executed \$2.8 billion of the authorized program.

Capital Expenditures

Our capital expenditures budget for the remainder of 2024 is expected to range from approximately \$1.4 billion to \$1.7 billion. These ranges do not include the potential impact of the Grayson Mill Energy acquisition that is expected to close by the end of the third quarter of 2024.

Acquisition

In July 2024, Devon announced it had entered into an agreement to acquire the Williston Basin business of Grayson Mill Energy. The purchase price for the transaction consists of \$3.25 billion of cash and approximately 37 million shares of Devon common stock, in each case subject to various purchase price adjustments. Devon plans to fund the cash portion of the purchase price through cash on hand and debt, which we expect to include a combination of term loans and bond issuances. Pursuant to the agreement, Devon made a \$250 million deposit in July into an escrow account. The transaction is expected to close by the end of the third quarter of 2024, subject to regulatory approvals and other customary closing conditions.

Critical Accounting Estimates

For information regarding our critical accounting policies and estimates, see our [2023 Annual Report on Form 10-K](#).

Non-GAAP Measures

We utilize “core earnings attributable to Devon” and “core earnings per share attributable to Devon” 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 attributable to Devon, as well as the per share amount, represent net earnings excluding certain non-cash and other items that are typically excluded by securities analysts in their published estimates of our financial results. Our non-GAAP measures are typically used as a quarterly performance measure. Amounts excluded relate to asset dispositions, noncash asset impairments (including unproved asset impairments), deferred tax asset valuation allowance and fair value changes in derivative financial instruments.

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

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	Before Tax	After Tax	After NCI	Per Diluted Share	Before Tax	After Tax	After NCI	Per Diluted Share
2024:								
Earnings attributable to Devon (GAAP)	\$ 1,040	\$ 855	\$ 844	\$ 1.34	\$ 1,808	\$ 1,464	\$ 1,440	\$ 2.29
Adjustments:								
Asset dispositions	15	11	11	0.02	16	12	12	0.02
Asset and exploration impairments	1	1	1	—	1	1	1	—
Deferred tax asset valuation allowance	—	4	4	0.01	—	3	3	—
Fair value changes in financial instruments	32	25	25	0.04	204	159	159	0.25
Core earnings attributable to Devon (Non-GAAP)	<u>\$ 1,088</u>	<u>\$ 896</u>	<u>\$ 885</u>	<u>\$ 1.41</u>	<u>\$ 2,029</u>	<u>\$ 1,639</u>	<u>\$ 1,615</u>	<u>\$ 2.56</u>
2023:								
Earnings attributable to Devon (GAAP)	\$ 897	\$ 698	\$ 690	\$ 1.07	\$ 2,121	\$ 1,701	\$ 1,685	\$ 2.60
Adjustments:								
Asset dispositions	(41)	(31)	(31)	(0.05)	(41)	(31)	(31)	(0.05)
Asset and exploration impairments	3	2	2	0.01	3	2	2	0.01
Deferred tax asset valuation allowance	—	10	10	0.02	—	7	7	0.01
Fair value changes in financial instruments	112	84	84	0.13	59	44	44	0.07
Core earnings attributable to Devon (Non-GAAP)	<u>\$ 971</u>	<u>\$ 763</u>	<u>\$ 755</u>	<u>\$ 1.18</u>	<u>\$ 2,142</u>	<u>\$ 1,723</u>	<u>\$ 1,707</u>	<u>\$ 2.64</u>

EBITDAX and Field-Level Cash Margin

To assess the performance of our assets, we use EBITDAX and Field-Level Cash Margin. We compute EBITDAX as net earnings 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 sales 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 operations.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net earnings (GAAP)	\$ 855	\$ 698	\$ 1,464	\$ 1,701
Financing costs, net	76	78	152	150
Income tax expense	185	199	344	420
Exploration expenses	3	10	12	13
Depreciation, depletion and amortization	768	638	1,490	1,253
Asset dispositions	15	(41)	16	(41)
Share-based compensation	26	25	50	48
Derivative and financial instrument non-cash valuation changes	31	113	200	62
Accretion on discounted liabilities and other	5	10	27	15
EBITDAX (Non-GAAP)	1,964	1,730	3,755	3,621
Marketing and midstream revenues and expenses, net	10	14	31	39
Commodity derivative cash settlements	(54)	(37)	(78)	(50)
General and administrative expenses, cash-based	88	67	178	150
Field-level cash margin (Non-GAAP)	<u>\$ 2,008</u>	<u>\$ 1,774</u>	<u>\$ 3,886</u>	<u>\$ 3,760</u>

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Commodity Price Risk

As of June 30, 2024, we have commodity derivatives that pertain to a portion of our estimated production for the last six months of 2024, as well as for 2025 and 2026. The key terms to our open oil, gas and NGL derivative financial instruments are presented in [Note 3](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

The fair values of our commodity derivatives are largely determined by the forward curves of the relevant price indices. At June 30, 2024, a 10% change in the forward curves associated with our commodity derivative instruments would have changed our net positions by approximately \$190 million.

Interest Rate Risk

As of June 30, 2024, we had total debt of \$6.1 billion. All of our debt is based on fixed interest rates averaging 5.7%.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

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

Based on their evaluation, our principal executive and principal financial officers have concluded that our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) were effective as of June 30, 2024 to ensure that the information required to be disclosed by Devon in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

Changes in Internal Control Over Financial Reporting

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

PART II. Other Information

Item 1. Legal Proceedings

We are involved in various legal proceedings incidental to our business. However, to our knowledge as of the date of this report and subject to the environmental matters noted below and in Part I, Item 3. Legal Proceedings of our [2023 Annual Report on Form 10-K](#), 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 15](#) in “Part I. Financial Information – Item 1. Financial Statements” of this report.

On March 5, 2024, we received a notice of violation from the New Mexico Environment Department (“NMED”) relating to alleged violations by WPX Energy Permian, LLC, a wholly-owned subsidiary of the Company, of certain notice, repair and facility design requirements under New Mexico environmental laws. The Company has been engaging with the NMED to resolve this matter, with the most recent exchanges occurring in June 2024. In addition, on May 29, 2024, we received a notice of violation from the Oil Conservation Division of New Mexico relating to alleged violations by Devon Energy Production Company, L.P., a wholly-owned subsidiary of the Company, of certain flaring reporting requirements, and we are working to resolve this matter. 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.

Please see our [2023 Annual Report on Form 10-K](#) and other SEC filings for additional information.

Item 1A. Risk Factors

There have been no material changes to the information included in Item 1A. “Risk Factors” in our [2023 Annual Report on Form 10-K](#).

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

The following table provides information regarding purchases of our common stock that were made by us during the second quarter of 2024 (shares in thousands).

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased As Part of Publicly Announced Plans or Programs ⁽²⁾	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
April 1 - April 30	1,538	\$ 52.74	1,399	\$ 435
May 1 - May 31	2,185	\$ 49.48	2,181	\$ 327
June 1 - June 30	1,609	\$ 46.53	1,608	\$ 252
Total	5,332	\$ 49.53	5,188	

(1) In addition to shares purchased under the share repurchase program described below, these amounts include approximately 0.1 million shares received by us from employees for the payment of personal income tax withholdings on vesting transactions.

(2) On November 2, 2021, we announced a \$1.0 billion share repurchase program that would expire on December 31, 2022. Through subsequent approvals, Devon's Board of Directors expanded the share repurchase program authorization to \$3.0 billion, with a December 31, 2024 expiration date. In July 2024, Devon's Board of Directors further expanded the share repurchase program authorization to \$5.0 billion, with a June 30, 2026 expiration date. In the second quarter of 2024, we repurchased 5.2 million common shares for \$256 million, or \$49.40 per share, under this share repurchase program. For additional information, see [Note 14](#) in “Part I. Financial Information – Item 1. Financial Statements” in this report.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the three months ended June 30, 2024, none of the Company's directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) adopted, terminated or modified a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement (as such terms are defined in Item 408 of Regulation S-K).

[Table of Contents](#)

Item 6. Exhibits

Exhibit Number	Description
10.1*	Devon Energy Corporation 2022 Long-Term Incentive Plan (amended and restated effective as of June 4, 2024).
10.2*	2024 Form of Notice of Grant of Restricted Stock Award and Award Agreement under the 2022 Long-Term Incentive Plan between the Company and non-management directors for restricted stock awarded.
10.3*	2024 Form of Notice of Grant of Restricted Stock Unit Award and Award Agreement under the 2022 Long-Term Incentive Plan between the Company and non-management directors for restricted stock units awarded.
31.1	Certification of principal executive officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of principal financial officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of principal executive officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of principal financial officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	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 with Embedded Linkbases Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

*Indicates management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DEVON ENERGY CORPORATION

/s/ John B. Sherrer

John B. Sherrer

Vice President, Accounting and Controller

Date: August 7, 2024

