Devon Energy Overview: The Company, Exploration, and Technology*

Herb Martin¹

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¹VP Strategic Geoscience, E&P Strategic Services group, Devon Energy, Oklahoma City, OK (herb.martin@dvn.com)

Abstract

Devon Energy is a pioneer company in the “unconventional” plays, and today it is focused on exploring and developing a number of these plays across North America. This informal presentation consists of three parts (1) a focus on Devon the company, with some insight into the corporate structure, corporate values and philosophy, and our current activity and capital budget; (2) a high-level view of some of the plays in which Devon is involved; (3) some insight into some of our approaches to technology and innovation.

In the first part, the current structure of Devon (subsequent to the divestiture of international and GOM properties) is examined and discussed, including the philosophy behind those decisions. Further to that, Devon’s current exploration philosophy and activity is considered.

The middle part of presentation is an overview of some of Devon’s current activity. That includes Devon’s ideas on play entry, balance of spending, and risk management.

Lastly, introduction is provided to Devon’s current approach to innovation and technology, particularly in the geosciences. The structure of Devon’s Strategic Geosciences group and its function is discussed, and then highlighted with a few examples of that team’s work.
Devon Energy Overview:
The Company, Exploration, and Technology

Herb Martin, Vice President - Strategic Geoscience

Tulsa Geological Society
September 4, 2012
Safe Harbor
Information provided in this presentation includes “forward-looking statements” as defined by the Securities and Exchange Commission. Forward-looking statements are identified as “forecasts, projections, estimates, plans, expectations, targets, etc.” and are subject to a variety of risk factors. For representative risk factors that could cause Devon’s actual results to differ materially from the forward-looking statements contained herein, see Form 8-K filed February 15, 2012.

Cautionary Note to Investors
The United States Securities and Exchange Commission permits oil and gas companies, in their filings with the SEC, to disclose only proved, probable and possible reserves that meet the SEC's definitions for such terms, and price and cost sensitivities for such reserves, and prohibits disclosure of resources that do not constitute such reserves. This presentation may contain certain terms, such as resource potential and exploration target size. These estimates are by their nature more speculative than estimates of proved, probable and possible reserves and accordingly are subject to substantially greater risk of being actually realized. The SEC guidelines strictly prohibit us from including these estimates in filings with the SEC. Investors are urged to consider closely the disclosure in our Form 10-K for the fiscal year ended December 31, 2011, available from us at Devon Energy Corporation, Attn. Investor Relations, 20 North Broadway, Oklahoma City, OK 73102. You can also obtain this form from the SEC by calling 1-800-SEC-0330 or from the SEC’s website at www.sec.gov.
Devon History

• Founded as a private company in 1971

• Became a public company in 1988

• Currently listed on the New York Stock Exchange under the ticker symbol DVN

• Has grown from 185 employees in 1981 to more than 5,000 employees today

• Established a portfolio to provide stable production and a solid platform for future growth
Top Oklahoma companies
Enterprise value

US$, Billions

- Williams
- devon
- Chesapeake
- Continental Resources
- ONEOK
- SandRidge
- OG&E
- Helmerich & Payne
- Bank of Oklahoma
- Dollar Thrifty Auto
- Sonic

Note: Enterprise value - August 2012.
Devon today

Proved reserves: \( \approx 3.0 \) billion BOE
   (42% liquids)

Q2 2012 production: \( \approx 679 \) MBOED
   (37% liquids)

Sales revenue mix: 57% oil
   18% NGLs
   25% natural gas
   (Q2 2012)

Significant midstream business

Enterprise value: \( \approx 27.6 \) billion
Employment centers

- **Oklahoma City**: Corporate Headquarters, 1,648 employees
- **Calgary, Alberta**: 1,004 employees
- **Houston**: 495 employees
- **Field Offices**: 2,222 employees
- **Total**: ~5400 employees

Current as of February 2012
Devon’s Strengths

Disciplined focus on per share results

Deep inventory of development opportunities

Strong, highly-visible oil growth

Significant positions in emerging oil plays

Superior financial strength and flexibility
Track Record of Success
North American Onshore Historical Performance

Production Growth
(MMBOE)

- 2006: 168
- 2007: 182
- 2008: 207
- 2009: 220
- 2010: 223
- 2011: 240

Growth Rate: 7% CAGR

LOE per BOE
($/BOE)

- 2006: $6.54
- 2007: $7.32
- 2008: $8.06
- 2009: $6.87
- 2010: $7.32
- 2011: $7.71

Drill-Bit Reserve Replacement
(% of Production Replaced)

- 2006: 233%
- 2007: 198%
- 2008: 223%
- 2009: 175%
- 2010: 160%

Drill-Bit F&D (3 Yr Avg.)
($/BOE)

- 2006: $10.01
- 2007: $11.68
- 2008: $13.36
- 2009: $10.88
- 2010: $11.59
- 2011: $12.87

Note: Includes a non-GAAP measure
(1) Excludes price revisions
Significant Oil Production Growth
North American Onshore

Production Data in MBOPD
Devon’s Risked Resource Base
High-Quality and Balanced

16.2 BBOE Risked Resource
(31.8 BBOE Unrisked)

<table>
<thead>
<tr>
<th>Product</th>
<th>Percentage</th>
<th>Amount (BBOE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil</td>
<td>29%</td>
<td>4.7</td>
</tr>
<tr>
<td>NGLs</td>
<td>19%</td>
<td>3.1</td>
</tr>
<tr>
<td>Gas</td>
<td>52%</td>
<td>8.4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>16.2</strong></td>
</tr>
</tbody>
</table>

Note: Includes 12/31/11 proved reserves of 3.0 BBOE.

*Proved Reserves (26% PUD) Additional Risked Potential*

Oil-focused exploration provides upside to risked resource
## Resource By Asset

**Strong Foundation for Growth**

<table>
<thead>
<tr>
<th>Resource By Asset</th>
<th>Unrisked Resource</th>
<th>Proved Reserves</th>
<th>Additional Risked Potential</th>
<th>Total Risked Resources</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permian Basin</td>
<td>7.6</td>
<td>0.2</td>
<td>2.6</td>
<td>2.8</td>
</tr>
<tr>
<td>Barnett Shale</td>
<td>4.3</td>
<td>1.2</td>
<td>1.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Cana Woodford Shale</td>
<td>2.8</td>
<td>0.3</td>
<td>1.6</td>
<td>1.9</td>
</tr>
<tr>
<td>Canadian Oil Sands</td>
<td>2.1</td>
<td>0.5</td>
<td>0.9</td>
<td>1.4</td>
</tr>
<tr>
<td>East Texas/Gulf Coast</td>
<td>0.9</td>
<td>0.2</td>
<td>0.6</td>
<td>0.8</td>
</tr>
<tr>
<td>Other U.S.</td>
<td>4.6</td>
<td>0.4</td>
<td>1.7</td>
<td>2.1</td>
</tr>
<tr>
<td>Other Canada</td>
<td>3.3</td>
<td>0.2</td>
<td>1.8</td>
<td>2.0</td>
</tr>
<tr>
<td>Horn River</td>
<td>1.4</td>
<td>-</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Sinopec JV Assets (net)</td>
<td>4.8</td>
<td>-</td>
<td>1.6</td>
<td>1.6</td>
</tr>
<tr>
<td>Total</td>
<td>31.8</td>
<td>3.0</td>
<td>13.2</td>
<td>16.2</td>
</tr>
</tbody>
</table>

Data in BBOE

+ =

NYSE: DVN  www.devonenergy.com
Goal: Optimize depth, diversity, and quality of drilling inventory

- Harvesting mature and lower return assets
  (Since 2002 divested ≈$17 billion of assets)

- New leasehold capture
  (Since 2009 invested >$4 billion into leasehold capture and exploration)

- Joint ventures / farm-ins
  (Recent ~$4.0 billion JV transactions)
**Growing the Resource Base**

**New Ventures Exploration**

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**Sinopec Joint Venture**

- $2.5 billion transaction
  ($900 million cash and $1.6 billion drilling carry)
- Sinopec receives 33% of Devon’s interest
- Net acreage in joint venture: 1.5 million
- Devon serves as operator

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**Sumitomo Joint Venture**

- $1.4 billion transaction
  ($340 million cash and $1.025 billion drilling carry)
- Sumitomo receives 30% of Devon’s interest
- Net acreage in joint venture: 650,000
- Devon serves as operator
Exploration & Exploitation

Sept 4, 2012
Projected 2012 exploration spending

Land, G & G, Testing $1,600

Breakdown
- Mississippian leasehold & testing $800
- Cline Shale leasehold & testing $350
- Other $450
Permian Basin Overview

- Significant exposure to oil & liquids plays
- 21 operated rigs (24 by year-end)
- Q4 2011 net production: 53 MBOED
- Oil and liquids content ≈75% of production

Net acres: 1.5 million
Net unrisked resource: 7.6 BBOE
Net risked resource: 2.8 BBOE
Risked locations: >8,000
Permian Basin
Oil Development Projects

Development Overview
• Low-risk, high-margin oil plays
• Multi-year drilling inventory
• 16 operated rigs

Bone Spring/Delaware
• 185,000 net acres (2012 plans: Drill ≈110 wells)
• High-impact wells (Best wells: IP’s >1,000 BOED)

Wolfberry
• 160,000 net acres (2012 plans: Drill ≈100 wells)
• Upside: Downspacing and Wolfcamp horizontal exploitation

Other Conventional Activity
• Exploit Central Basin Platform targets
• Stacked oil pays (Tubb, Wichita-Albany, Strawn, Clear Fork & others)
Cana Woodford Shale
Overview

- Estimated play resource in-place: 50-220 BCFE per square mile
- Oil and liquids-rich gas play
- Low above ground risk (markets, topography, regulatory environment)
- Industry rigs running: 46
- Producing wells: ≈500
Cana Woodford Shale
Liquids-Rich Gas Development

Net risked resource: 11.4 TCFE
Risked locations: ≈5,400
Net acreage: 244,000
Low average royalty burden: 21%
Q2 2012 net production: 280 MMCFED
2012e program: >40% of production is liquids
Expanding gas processing facility:
  • 30 MBPD of NGL capacity
Significant undrilled liquids-rich inventory
  • ≈3,000 locations
2012 plans: Drill ≈200 wells
Granite Wash
Oil & Liquids-Rich Development

Net risked resource: ≈200 MMBOE
Risked locations: ≈350 net wells

Net acreage: 63,600

Legacy land position held by production

Low average royalty burden: 19%

Q2 2012 net production: 19 MBOED

Liquids drive superior economics

3 operated rigs running

2012 plans: Drill ≈65 wells
Barnett Shale
Liquids-Rich Gas Development

Net risked resource: 14.8 TCFE
Risks locations: ≈ 5,000

Net acreage: 624,000
Low average royalty burden: 18%

Q2 2012 net production: 1.32 BCFED
2012e program: >30% of production is liquids

Significant free cash flow
Liquids-rich drilling inventory: ≈2,500 locations
2012 plans: Drill ≈300 wells
Devon’s Thermal Oil Position
SAGD Development

Field characteristics
- Low F&D
- Flat production profile
- Long reserve life >20 years

Jackfish
- Top-tier operating performance
- Q2 2012 net production: 33 MBOPD

Jackfish 2
- Q2 2012 net production: 18 MBOPD
- Reach peak facility capacity in 2013

Jackfish 3
- Construction ≈40% complete

Pike
- Up to five SAGD development phases
- First regulatory application filed in June

Jackfish (100% WI)
Jackfish 2
Jackfish 3
Pike (50% WI)
Access Pipeline

NYSE: DVN
www.devonenergy.com
New Ventures/Exploration Process
Unlocking Significant Potential

- Methodical exploration
- Initial assessment
  - Oil in-place
  - Permeability
  - Rock properties
  - Cost to develop
- Lease best plays
- Test commerciality
- Expand position

Unrisked Resource (BBOE)

<table>
<thead>
<tr>
<th>Category</th>
<th>Resource (BBOE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>New ventures</td>
<td>8.4</td>
</tr>
<tr>
<td>(Sinopec JV &amp; Cline Shale)</td>
<td></td>
</tr>
<tr>
<td>Other U.S. exploration</td>
<td>5.8</td>
</tr>
<tr>
<td>Canada exploration</td>
<td>2.2</td>
</tr>
<tr>
<td>Development &amp; exploitation assets</td>
<td>15.4</td>
</tr>
<tr>
<td>Total Unrisked Resource</td>
<td>31.8</td>
</tr>
</tbody>
</table>
**Permian Basin**

**Oil Exploration Projects**

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**Exploration Overview**

- Potential, high-impact resource plays
  (Unrisked resource: >3 BBOE net to Devon)
- 2012 plans: Drill ≈40 wells
- 4 operated rigs

**Cline Shale**

- JV acreage: 556,000 net acres
  (Net to Devon: 389,000 acres)
- Stacked pay potential
- Encouraging initial wells results

**Midland-Wolfcamp Shale**

- JV acreage: 94,000 net acres
  (Net to Devon: 66,000 acres)
- Well results continue to improve
- Testing longer laterals (Extending to >7,000')

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NYSE: DVN  
www.devonenergy.com
Cline Shale
Stratigraphic Section

- Organic-rich shale
- Mixed silt and sand interbeds
- Gross thickness: 200’ - 550’
- Total organic content: 1 - 8%
- Frac barriers above and below
Wolfcamp Shale
Emerging Opportunity

- Focus on Wolfcamp Midland (light oil, resource play)
- Multiple producing zones in Wolfcamp
- Drilling depth: 5,000’ - 8,500’ (Midland)
  8,000’ - 10,500’ (Delaware)
- Midland Basin results improving
- Testing long laterals (Extending to >7,000’)

Net acres: 92,000 (Midland)
240,000 (Delaware)
Unrisked resource: 1.3 BBOE
2012 capital: ≈$225 million
2012 plans: Drill 35 wells
Mississippian Light-Oil Exploration

Net acreage: 545,000
(400,000 net acres outside of Sinopec JV)

High-margin, exploration play

Early results in-line with expectations

Risked resource potential: >800 MMBOE

Stacked pay potential (Woodford)

7 operated rigs

2012 plans: Drill >50 wells

NYSE: DVN www.devonenergy.com
Mississippian Stratigraphic Section

- Multiple prolific lithologies
  - High porosity chert
  - Siliceous limestone with medium porosity
  - Fractured limestone with lower porosity
- Significant open fractures
- Woodford TOC up to 10% is a great source rock
Attractive Attributes

- Positive industry results to date
- Conventional oil and gas area
- Abundant well control
- Favorable subsurface (TOC, porosity, perm)
Ohio Utica
Stratigraphic Section

- Hybrid unconventional resource
- Lithology consists of laminated limestone-mudstone
- In-situ fractures
- Frac barriers above and below (no wet zones)
- Prolific source rock and reservoir
- Potential upside from fractured Trenton/Black River
Ohio Utica
Permeability Analysis

- FIBSEM analysis enables imaging of connected pores
- Significant size pores present
- Indicates potential to move liquids
- Top-tier permeability:

<table>
<thead>
<tr>
<th>Formation</th>
<th>Permeability (microdarcy, µD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DVN Harstine Well</td>
<td>Up to 30</td>
</tr>
<tr>
<td>Barnett Shale</td>
<td>0.2 to 0.3</td>
</tr>
<tr>
<td>Marcellus:</td>
<td>0.7 to 1.3</td>
</tr>
<tr>
<td>Eagleford:</td>
<td>0.7 to 1.5</td>
</tr>
<tr>
<td>Bakken:</td>
<td>6.7 to 13.3</td>
</tr>
</tbody>
</table>

nm = nanometers
(Oil molecules range from 0.5 - 3.0 nm)
Rockies Oil Overview

Attractive Attributes - Powder River Basin
- Stacked oil targets - Niobrara, Turner, Frontier, Greenhorn, Mowry & Muddy
- Economic results in multiple intervals
- Significant operational expertise in basin

Attractive Attributes - DJ Basin
- Stacked oil targets - Niobrara, Codell, Greenhorn & J Sand
- Favorable thermal maturity for oil generation
- Thick Codell sand with oil shows in core and logs

<table>
<thead>
<tr>
<th></th>
<th>DVN (net)</th>
<th>JV (gross)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net acres</td>
<td>213,000</td>
<td>320,000</td>
</tr>
<tr>
<td>Unrisked res.</td>
<td>890 MMBOE</td>
<td>1,330 MMBOE</td>
</tr>
<tr>
<td>2012 capital:</td>
<td>$40 MM</td>
<td>$152 MM</td>
</tr>
<tr>
<td>2011/12 plans:</td>
<td>Drill ≈35 wells</td>
<td></td>
</tr>
</tbody>
</table>
Rockies Oil
Stratigraphic Section

Powder River Basin
- Primary targets: Niobrara and Mowry
- High total organic content in Mowry and Niobrara
- Secondary targets: Turner, Muddy, Dakota and Frontier
- Deeper Paleozoic prospective

DJ Basin
- Primary targets: Niobrara and Codell
- Niobrara and Mowry source of significant Lower Cretaceous production
- Multiple Niobrara chalk benches; B main target across play
- Viable secondary objectives: Greenhorn and J Sand
Tuscaloosa Overview

Attractive Attributes

- Proven capacity to flow oil; existing production
- Highly overpressured reservoir
- Low-cost acreage
- Well-established regulatory environment
- Existing infrastructure

<table>
<thead>
<tr>
<th></th>
<th>DVN (net)</th>
<th>JV (gross)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net acres:</td>
<td>190,000</td>
<td>285,000</td>
</tr>
<tr>
<td>Unrisked res.:</td>
<td>1,150 MMBOE</td>
<td>1,730 MMBOE</td>
</tr>
<tr>
<td>2012 capital:</td>
<td>$44 MM</td>
<td>$167 MM</td>
</tr>
<tr>
<td>2011/12 plans:</td>
<td>Drill ≈10 wells</td>
<td></td>
</tr>
</tbody>
</table>
Tuscaloosa
Stratigraphic Section

- Highly laminated lithology
- Brittle intervals of sand, siltstone and limestone
- Significant fracture system
- Several historical oil pay zones throughout the stratigraphic section
Canada Exploration
Oil & Liquids Opportunities

- Net prospective acres: >4 million
- Net unrisked resource: 2.2 BBOE
- 2012 plans: Drill 90 wells
- Testing >10 new play types including:
  - Viking (Shallow targets; good economics)
  - Cardium (Ferrier area IP’s up to 940 BOED)
  - Second Specs (Early stages of evaluation)
  - Montney (Light-oil exploration prospect)
  - Cretaceous zones (Exploiting multi-stacked pay)
Other U.S. Exploration
Oil & Liquids Opportunities

- Net prospective acres: 1.3 million
- Net unrisked resource: 5.8 BBOE
- Focus on oil opportunities
- Targeting tight carbonates/clastics and shale
- Currently evaluating 16 different exploration concepts across our existing asset base
  - 2012 Plans: Drill ≈15 wells
E&P Strategic Services at Devon
Strategic Geosciences Group

• Sept 4, 2012
Competencies and Roles

**Exploration Strategy & Evaluation (ESE)**
- Technical/Peer review
- Play Evaluation & Ranking
- Development/Support for Evaluation process/tool
- Technology Pipeline

**Geophysical Services (GS)**
- Acquisition
- Processing
- Microseismic
- Data management
  - Contracts and Permitting
- Geodetics

**Integrated Geoscience (SSIG)**
- Reservoir Modelers
- Geophysical modelers
- Sedimentologists/petrographers
- Structure/Fracture Expertise
- Geochemistry

**Knowledge Management / Technology**
- Collaborate w/ Engineering Technology
- Consortia prioritized
- Data Management
- Training
- Petrophysics
Exploration Strategy and Evaluation
Exploration Strategy Evaluation Team (ESE): Roles and Responsibilities

ESE Team is responsible for unconventional play characterization and comparative play analysis across the company.

Analysis is used for play ranking and as an aid for executive decision-making

Facilitate consistent technical and peer reviews (UCRisk)

Promote best practices and technical exchanges through reviews

Maintain an up-to-date exploration play inventory
Integrated Geoscience
June 2012
Integrated Workflow and Knowledge Experts

Technology Experts

- Core Description
- Stratigraphy /Sedimentology
- Structure and Fractures
- Seismic Reservoir Characterization
- Reservoir / Basin Modeling
- Petrography
- Geochemistry
EURs drop significantly (>10%) if lateral lands as low as 5 feet into thinly interlayered beds that contain bioturbated intervals.
Cana Woodford Example
Natural Fracture Production Conduits

- Bed-confined natural fractures likely conduits for liquids production
- Increase oil storage
- Large enough to move oil through
- Vertical paths of weakness for fracing

Pores in kerogen at same scale as SEM image
Permian Basin Wolfcamp Example
Type Well Stratigraphic Flow Profile

Most wells landed in zone 8-9
Additional potential identified in zone 11

3. Stratigraphic Flow Profile
Geophysical Services
What We Do

- Acquisition
- Processing
- Microseismic
- Data management
- Contracts and Permitting
- Geodetics
Seismic Acquisition Highlights

2012 Seismic Acquisition Projects

3D Summary
- 4 Completed 366 mi²
- 4 Active 790 mi²
- 5 Planning 941 mi²
- 4 Hold 275 mi²
Total 17 2,371 mi²

New Seismic Methods / Evaluations
- Regional Seismicity Monitoring
- Seismic Source Optimization - Michigan, Ohio, West Texas
- Frac Monitor with passive surface seismic - Mississippian & Cana
- High-Resolution 3D Depth Imaging
- Microseismic Evaluations
Knowledge and Technology
Geoscience - Knowledge & Technology

• Collaborate w/ Engineering Technology
  • Knowledge management (Communities of Practice)
• Consortia management
• Data Management
• Training
  • In-house
  • Nautilus
  • Industry
• Petrophysics
Knowledge & Technology

Petrophysics Example

- Core to Log integration
- Productivity
  - Pay zones and cutoffs
  - Permeability
- Volumetrics
  - Thickness, Net to Gross
  - Effective porosity and fluid saturations
  - Reserves in-Place
- Reservoir Description
  - Lithology
  - Sweet Spot identification
- Additional Categories
  - Seismic integration
  - Mechanical properties
  - Reservoir modeling integration
  - Pretty log plots
Strategic Geoscience
Putting It All Together

• Why “Strategic”?
• Integration Essential
  - Across Geoscience Disciplines
  - Across E & P
• Answer Important Questions Early
  - Data Gathering
    • Which data to gather
  - Technology
  - Experience (what do we need to know?)
The Devon Energy Nano Imaging Center
• Focused Strategy
• Leverages Experience and Expertise
• Takes Advantage of Unique Time in our Industry

• Questions?
Thank you.