

DEVON ENERGY CORP/DE
Form 8-K
February 20, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 20, 2013

DEVON ENERGY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

DELAWARE
(State or Other Jurisdiction of
Incorporation or Organization)

001-32318
(Commission
File Number)

73-1567067
(IRS Employer
Identification Number)

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333 West Sheridan Avenue, Oklahoma City, Oklahoma

(Address of Principal Executive Offices)

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

73102-5015

(Zip Code)

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

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

Item 8.01. Other Events**Information Regarding Forward-Looking Estimates**

This report includes our 2013 forward-looking estimates and associated forward-looking statements regarding our expectations and plans, as well as future events or conditions. Such forward-looking statements are based on our examination of historical operating trends, the information used to prepare our December 31, 2012 reserve reports and other data in our possession or available from third parties. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond our control. Consequently, actual future results could differ materially from our expectations due to a number of factors, such as changes in the supply of and demand for oil, natural gas and NGLs and related products and services; exploration or drilling programs; political or regulatory events; general economic and financial market conditions; and other risk factors we discuss in our Annual Report on Form 10-K. All subsequent written and oral forward-looking statements attributable to Devon, or persons acting on its behalf, are expressly qualified in their entirety by these cautionary statements. We assume no duty to update or revise our forward-looking statements based on new information, future events or otherwise.

In this report, financial amounts related to our Canadian operations have been converted to U.S. dollars using estimated average exchange rates of \$1.00 U.S. dollar to \$1.00 Canadian dollar.

Production and Prices

Set forth below are our daily production and price realization estimates for the first quarter and full year 2013. The price realizations for oil, bitumen and NGLs are determined using the monthly average of NYMEX settled prices on each trading day for the benchmark West Texas Intermediate crude oil price at Cushing, Oklahoma. The price realizations for natural gas are determined using the first-of-month South Louisiana Henry Hub price index as published in *Inside FERC*.

| | Quarter 1 | | Full Year | |
|-------------------------------|-----------|---------|-----------|---------|
| | Low | High | Low | High |
| Daily Production | | | | |
| Oil and bitumen (MBbls/d) | | | | |
| United States | 65.0 | 70.0 | 80.0 | 85.0 |
| Canada | 88.0 | 93.0 | 84.0 | 89.0 |
| Natural gas (MMcf/d) | | | | |
| United States | 1,935.0 | 1,965.0 | 1,920.0 | 1,960.0 |
| Canada | 410.0 | 440.0 | 385.0 | 415.0 |
| Natural gas liquids (MBbls/d) | | | | |
| United States | 105.0 | 111.0 | 112.0 | 118.0 |
| Canada | 8.0 | 10.0 | 7.0 | 9.0 |
| Price Realizations | | | | |
| Oil and bitumen % of WTI | | | | |
| United States | 84% | 94% | 88% | 98% |
| Canada | 36% | 46% | 48% | 58% |
| Natural gas % of Henry Hub | | | | |
| United States | 81% | 91% | 80% | 90% |
| Canada | 88% | 98% | 86% | 96% |
| Natural gas liquids % of WTI | | | | |
| United States | 25% | 35% | 26% | 36% |
| Canada | 48% | 58% | 47% | 57% |

Commodity Price Risk Management

As of February 15, 2013, we had the following oil derivative positions associated with 2013 production. Our oil price swaps and collars settle against the average of the prompt month NYMEX West Texas Intermediate futures price.

| Period | Price Swaps | | Price Collars | | | Call Options Sold | |
|------------|--------------------|---------------------|--------------------|---------------------------|-----------------------------|--------------------|---------------------|
| | Volume (Bbls/d) | Weighted Average | Volume (Bbls/d) | Weighted Average Floor | Weighted Average Ceiling | Volume (Bbls/d) | Weighted Average |
| | | Price (\$/Bbl) | | Price (\$/Bbl) | Price (\$/Bbl) | | Price (\$/Bbl) |
| Q1-Q4 2013 | 55,110 | \$ 101.22 | 60,068 | \$ 90.34 | \$ 112.70 | 10,000 | \$ 120.00 |

Basis Swaps

| Period | Index | Volume (Bbls/d) | Weighted Average Differential to WTI (\$/Bbl) |
|------------|-------------------------|--------------------|--|
| Q1-Q2 2013 | Western Canadian Select | 3,000 | \$ (19.58) |

As of February 15, 2013, we had the following open natural gas derivative positions associated with 2013 production. The first table presents our natural gas contracts that settle against the *Inside FERC* first-of-the-month Henry Hub index. The second table presents our natural gas contracts that settle against the AECO index.

| Period | Price Swaps | | Price Collars | | | Call Options Sold | |
|------------|---------------------|---------------------|---------------------|---------------------------|-----------------------------|---------------------|---------------------|
| | Volume (MMBtu/d) | Weighted Average | Volume (MMBtu/d) | Weighted Average Floor | Weighted Average Ceiling | Volume (MMBtu/d) | Weighted Average |
| | | Price (\$/MMBtu) | | Price (\$/MMBtu) | Price (\$/MMBtu) | | Price (\$/MMBtu) |
| Q1-Q4 2013 | 764,366 | \$ 4.14 | 576,959 | \$ 3.52 | \$ 4.22 | | |

Price Swaps

| Period | Volume (MMBtu/d) | Weighted Average Price (\$/MMBtu) |
|------------|---------------------|--|
| Q1-Q4 2013 | 28,435 | \$ 3.64 |

Basis Swaps

| Period | Index | Volume (MMBtu/d) | Weighted Average Differential to Henry Hub (\$/MMBtu) |
|------------|----------------------------|---------------------|--|
| Q1-Q4 2013 | El Paso Natural Gas | 20,000 | \$ (0.12) |
| Q1-Q4 2013 | Panhandle Eastern Pipeline | 20,000 | \$ (0.17) |

Other Operating Items

The following table includes full year estimates of other revenue and expense items associated with our operations.

| | Full Year | |
|--|------------------|----------|
| | Low | High |
| | (\$ in millions, | |
| | except per Boe) | |
| Marketing & midstream operating profit | \$ 425 | \$ 475 |
| Lease operating expenses per Boe | \$ 8.60 | \$ 9.00 |
| Depreciation, depletion and amortization per Boe | \$ 11.50 | \$ 12.50 |

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| | | |
|--|---------|---------|
| General & administrative expenses per Boe | \$ 2.70 | \$ 2.90 |
| Taxes other than income taxes as % of wellhead revenue | 5.8% | 6.8% |
| Interest expense | \$ 420 | \$ 460 |
| Other expense, net | \$ 50 | \$ 70 |
| Current income tax rate | 2% | 8% |
| Deferred income tax rate | 28% | 32% |
| Total income tax rate | 30% | 40% |

Capital Expenditures

Set forth below are our capital expenditure estimates for the first quarter and full year 2013.

| | Quarter 1 | | Full Year | |
|------------------------------|---------------|----------|-----------|----------|
| | Low | High | Low | High |
| | (In millions) | | | |
| Development | \$ 1,100 | \$ 1,250 | \$ 4,450 | \$ 4,750 |
| Exploration | 265 | 315 | 490 | 590 |
| Subtotal | 1,365 | 1,565 | 4,940 | 5,340 |
| Capitalized G&A and interest | 95 | 105 | 385 | 415 |
| Total oil and gas | 1,460 | 1,670 | 5,325 | 5,755 |
| Midstream | 250 | 300 | 975 | 1,045 |
| Corporate and other | 50 | 70 | 125 | 175 |
| Total other | 300 | 370 | 1,100 | 1,220 |
| Total capital expenditures | \$ 1,760 | \$ 2,040 | \$ 6,425 | \$ 6,975 |

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 hereto duly authorized.

DEVON ENERGY CORPORATION

By: */s/ Jeffrey A. Agosta*
Jeffrey A. Agosta

Executive Vice President and Chief Financial
Officer

Date: February 20, 2013