

DEVON ENERGY CORP/DE

Form 8-K

February 07, 2007

**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 report): February 7, 2007**

**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)

**20 NORTH BROADWAY, OKLAHOMA CITY, OK**

(Address of Principal Executive Offices)

**73102**

(Zip Code)

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

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

### Definitions

The following discussion includes references to various abbreviations relating to volumetric production terms and other defined terms. These definitions are as follows:

Bbl or Bbls means barrel or barrels.

Bcf means billion cubic feet.

Boe means barrel of oil equivalent, determined by using the ratio of one Bbl of oil or NGLs to six Mcf of gas.

Btu means British thermal units, a measure of heating value.

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

LIBOR means London Interbank Offered Rate.

MMBbls means one million Bbls.

MMBoe means one million Boe.

Mcf means one thousand cubic feet.

MMcf means one million cubic feet.

NGL or NGLs means natural gas liquids.

NYMEX means New York Mercantile Exchange.

Oil includes crude oil and condensate.

### Forward-Looking Estimates

The forward-looking statements provided in this discussion are based on our examination of historical operating trends, the information which was used to prepare the December 31, 2006 Devon reserve reports and other data in our possession or available from third parties. We caution that future oil, natural gas and NGL production, revenues and expenses are subject to all of the risks and uncertainties normally incident to the exploration for and development, production and sale of oil, gas and NGLs. These risks include, but are not limited to, price volatility, inflation or lack of availability of goods and services, environmental risks, drilling risks, regulatory changes, the uncertainty inherent in estimating future oil and gas production or reserves, and other risks as outlined below.

Additionally, we would caution that future marketing and midstream revenues and expenses are subject to all of the risks and uncertainties normally incident to the marketing and midstream business. These risks include, but are not limited to, price volatility, environmental risks, regulatory changes, the uncertainty inherent in estimating future processing volumes and pipeline throughput, cost of goods and services and other risks as outlined below.

On November 14, 2006, we announced our intent to divest our Egyptian oil and gas assets and terminate our operations in Egypt. We expect to complete this asset sale during the first half of 2007. Subsequently on January 23, 2007, we announced our intent to divest our West African oil and gas assets and terminate our operations in West Africa. We expect to complete this asset sale by the end of the third quarter in 2007. All Egyptian and West African related revenues, expenses and capital will be reported as

discontinued operations in our 2007 financial statements. Accordingly, all forward-looking estimates in this document exclude amounts related to our operations in Egypt and West Africa, unless otherwise noted. The assets held for sale represented less than five percent of our 2006 production and December 31, 2006 proved reserves.

Though we have completed several major property acquisitions and dispositions in recent years, these transactions are opportunity driven. Thus, the following forward-looking estimates do not include any financial and operating effects of potential property acquisitions or divestitures which may occur during 2007, except for Egypt and West Africa as previously discussed.

Also, the financial results of our foreign operations are subject to currency exchange rate risks. Unless otherwise noted, all of the following dollar amounts are expressed in U.S. dollars. Amounts related to Canadian operations have been converted to U.S. dollars using a projected average 2007 exchange rate of \$0.89 dollar to \$1.00 Canadian dollar. The actual 2007 exchange rate may vary materially from this estimate. Such variations could have a material effect on these forward-looking estimates.

Additional risks are discussed below in the context of line items most affected by such risks. A summary of these forward-looking estimates is included at the end of this document.

***Specific Assumptions and Risks Related to Price and Production Estimates***

Prices for oil, natural gas and NGLs are determined primarily by prevailing market conditions. Market conditions for these products are influenced by regional and worldwide economic conditions, weather and other local market conditions. These factors are beyond our control and are difficult to predict. In addition, volatility in general oil, gas and NGL prices may vary considerably due to differences between regional markets, differing quality of oil produced (i.e., sweet crude versus heavy or sour crude), differing Btu contents of gas produced, transportation availability and costs and demand for the various products derived from oil, natural gas and NGLs. Substantially all of our revenues are attributable to sales, processing and transportation of these three commodities. Consequently, our financial results and resources are highly influenced by price volatility.

Estimates for future production of oil, natural gas and NGLs are based on the assumption that market demand and prices for oil, gas and NGLs will continue at levels that allow for profitable production of these products. There can be no assurance of such stability. Most of our Canadian production of oil, natural gas and NGLs is subject to government royalties that fluctuate with prices. Thus, price fluctuations can affect reported production. Also, our international production of oil and natural gas is governed by payout agreements with the governments of the countries in which we operate. If the payout under these agreements is attained earlier than projected, our net production and proved reserves in such areas could be reduced.

Estimates for future processing and transport of oil, natural gas and NGLs are based on the assumption that market demand and prices for oil, gas and NGLs will continue at levels that allow for profitable processing and transport of these products. There can be no assurance of such stability.

The production, transportation, processing and marketing of oil, natural gas and NGLs are complex processes which are subject to disruption due to transportation and processing availability, mechanical failure, human error, meteorological events including, but not limited to, hurricanes, and numerous other factors. The following forward-looking statements were prepared assuming demand, curtailment, producibility and general market conditions for our oil, natural gas and NGLs during 2007 will be substantially similar to those of 2006, unless otherwise noted.

***Geographic Reporting Areas***

The following estimates of production, average price differentials compared to industry benchmarks and capital expenditures are provided separately for each of the following geographic areas:

the United States Onshore;

the United States Offshore, which encompasses all oil and gas properties in the Gulf of Mexico;

Canada; and

International, which encompasses all oil and gas properties that lie outside of the United States and Canada. As previously discussed, all Egyptian and West African related revenues, expenses and capital will be reported as discontinued operations in our 2007 financial statements. Accordingly, all forward-looking estimates in this document exclude amounts related to our operations in Egypt and West Africa, unless otherwise noted.

**Year 2007 Potential Operating Items**

***Oil, Gas and NGL Production***

Set forth in the following paragraphs are individual estimates of oil, gas and NGL production for 2007. We estimate, on a combined basis, that our 2007 oil, gas, and NGL production will total approximately 219 to 221 MMBoe. Of this total, approximately 92% is estimated to be produced from reserves classified as proved at December 31, 2006. The following estimates for oil, gas and NGL production are calculated at the midpoint of the estimated range for total production.

***Oil Production***

Oil production in 2007 is expected to total approximately 55 MMBbls. Of this total, approximately 99% is estimated to be produced from reserves classified as proved at December 31, 2006. The expected production by area is as follows:

	<b>(MMBbls)</b>
United States Onshore	10
United States Offshore	9
Canada	15
International	21

***Oil Prices***

We have not fixed the price we will receive on any of our 2007 oil production. Our 2007 average prices for each of our areas are expected to differ from the NYMEX price as set forth in the following table. The NYMEX price is the monthly average of settled prices on each trading day for benchmark West Texas Intermediate crude oil delivered at Cushing, Oklahoma.

	<b>Expected Range of Oil Prices as a % of NYMEX Price</b>
United States Onshore	86% to 96%
United States Offshore	90% to 100%
Canada	60% to 70%
International	83% to 93%

*Gas Production*

Gas production in 2007 is expected to total approximately 841 Bcf. Of this total, approximately 88% is estimated to be produced from reserves classified as proved at December 31, 2006. The expected production by area is as follows:

	<b>(Bcf)</b>
United States Onshore	557
United States Offshore	75
Canada	207
International	2

*Gas Prices*

Our 2007 average prices for each of our areas are expected to differ from the NYMEX price as set forth in the following table. The NYMEX price is determined to be the first-of-month South Louisiana Henry Hub price index as published monthly in *Inside FERC*.

Based on contracts currently in place, we will have approximately 116 MMcf per day of gas production in 2007 that is subject to either fixed-price contracts, swaps, floors or collars. These amounts represent approximately 5% of our estimated gas production for 2007. Therefore, these various pricing arrangements are not expected to have a material impact on the ranges of estimated gas price realizations set forth in the following table.

	<b>Expected Range of Gas Prices as a % of NYMEX Price</b>
United States Onshore	80% to 90%
United States Offshore	96% to 106%
Canada	80% to 90%
International	100% to 110%

*NGL Production*

We expect our 2007 production of NGLs to total approximately 25 MMBbls. Of this total, approximately 95% is estimated to be produced from reserves classified as proved at December 31, 2006. The expected production by area is as follows:

	<b>(MMBbls)</b>
United States Onshore	20
United States Offshore	1
Canada	4

*Marketing and Midstream Revenues and Expenses*

Marketing and midstream revenues and expenses are derived primarily from our natural gas processing plants and natural gas transport pipelines. These revenues and expenses vary in response to several factors. The factors include, but are not limited to, changes in production from wells connected to the pipelines and related processing plants, changes in the absolute and relative prices of natural gas and NGLs, provisions of the contract agreements and the amount of repair and workover activity required to maintain anticipated processing levels.

These factors, coupled with uncertainty of future natural gas and NGL prices, increase the uncertainty inherent in estimating future marketing and midstream revenues and expenses. Given these uncertainties,

we estimate that marketing and midstream revenues will be between \$1.70 billion and \$2.10 billion, and marketing and midstream expenses will be between \$1.31 billion and \$1.67 billion.

***Production and Operating Expenses***

Our production and operating expenses include lease operating expenses, transportation costs and production taxes. These expenses vary in response to several factors. Among the most significant of these factors are additions to or deletions from the property base, changes in the general price level of services and materials that are used in the operation of the properties, the amount of repair and workover activity required and changes in production tax rates. Oil, natural gas and NGL prices also have an effect on lease operating expenses and impact the economic feasibility of planned workover projects. Given these uncertainties, we estimate that 2007 lease operating expenses (including transportation costs) will be between \$1.70 billion and \$1.77 billion. Additionally, we estimate our production taxes for 2007 to be between 3.6% and 4.1% of consolidated oil, natural gas and NGL revenues.

***Depreciation, Depletion and Amortization ( DD&A )***

The 2007 oil and gas property DD&A rate will depend on various factors. Most notable among such factors are the amount of proved reserves that will be added from drilling or acquisition efforts in 2007 compared to the costs incurred for such efforts, and the revisions to our year-end 2006 reserve estimates that, based on prior experience, are likely to be made during 2007.

Given these uncertainties, we expect our oil and gas property related DD&A rate will be between \$11.00 per Boe and \$11.50 per Boe. Based on these DD&A rates and the production estimates set forth earlier, oil and gas property related DD&A expense for 2007 is expected to be between \$2.42 billion and \$2.53 billion.

Additionally, we expect our depreciation and amortization expense related to non-oil and gas property fixed assets to total between \$210 million and \$220 million.

***Accretion of Asset Retirement Obligation***

Accretion of asset retirement obligation in 2007 is expected to be between \$45 million and \$55 million.

***General and Administrative Expenses ( G&A )***

Our G&A includes employee compensation and benefits costs and the costs of many different goods and services used in support of our business. G&A varies with the level of our operating activities and the related staffing and professional services requirements. In addition, employee compensation and benefits costs vary due to various market factors that affect the level and type of compensation and benefits offered to employees. Also, goods and services are subject to general price level increases or decreases. Therefore, significant variances in any of these factors from current expectations could cause actual G&A to vary materially from the estimate.

Given these limitations, G&A in 2007 is expected to be between \$460 million and \$480 million. This estimate includes approximately \$60 million of non-cash, share-based compensation, net of related capitalization in accordance with the full cost method of accounting for oil and gas properties.

***Reduction of Carrying Value of Oil and Gas Properties***

We follow the full cost method of accounting for our oil and gas properties. Under the full cost method, our net book value of oil and gas properties, less related deferred income taxes (the costs to be recovered), may not exceed a calculated full cost ceiling. The ceiling limitation is the discounted estimated after-tax future net revenues from oil and gas properties plus the cost of properties not subject to amortization. The ceiling is imposed separately by country. In calculating future net revenues, current prices and costs used are those as of the end of the appropriate quarterly period. These prices are not

changed except where different prices are fixed and determinable from applicable contracts for the remaining term of those contracts. Such contracts include derivatives accounted for as cash flow hedges. The costs to be recovered are compared to the ceiling on a quarterly basis. If the costs to be recovered exceed the ceiling, the excess is written off as an expense. An expense recorded in one period may not be reversed in a subsequent period even though higher oil and gas prices may have increased the ceiling applicable to the subsequent period.

Because the ceiling calculation dictates that prices in effect as of the last day of the applicable quarter are held constant indefinitely, and requires a 10% discount factor, the resulting value is not indicative of the true fair value of the reserves. Oil and natural gas prices have historically been cyclical and, on any particular day at the end of a quarter, can be either substantially higher or lower than our long-term price forecast that is a barometer for true fair value. Therefore, oil and gas property writedowns that result from applying the full cost ceiling limitation, and that are caused by fluctuations in price as opposed to reductions to the underlying quantities of reserves, should not be viewed as absolute indicators of a reduction of the ultimate value of the related reserves.

Because of the volatile nature of oil and gas prices, it is not possible to predict whether we will incur a full cost writedown in 2007.

### ***Interest Expense***

Future interest rates and debt outstanding have a significant effect on our interest expense. We can only marginally influence the prices we will receive in 2007 from sales of oil, natural gas and NGLs and the resulting cash flow. These factors increase the margin of error inherent in estimating future outstanding debt balances and related interest expense. Other factors which affect outstanding debt balances and related interest expense, such as the amount and timing of capital expenditures and proceeds from the sale of our assets in Egypt and West Africa, are generally within our control.

Based on the information related to interest expense set forth below, we expect our 2007 interest expense to be between \$400 million and \$410 million. This estimate assumes no material changes in prevailing interest rates. This estimate also assumes no material changes in our expected level of indebtedness, except for an assumption that our commercial paper will be repaid at the end of the second quarter of 2007.

The interest expense in 2007 related to our fixed-rate debt, including net accretion of related discounts, will be approximately \$410 million. This fixed-rate debt removes the uncertainty of future interest rates from some, but not all, of our long-term debt.

Our floating rate debt is comprised of variable-rate commercial paper and one debt instrument which has been converted to floating rate debt through the use of an interest rate swap. Our floating rate debt is summarized in the following table:

<b>Debt Instrument</b>	<b>Notional Amount (In millions)</b>	<b>Floating Rate</b>
Commercial paper	\$ 1,808 <sup>1</sup>	Various <sup>2</sup>
4.375% senior notes due in Oct 2007	\$ 400	LIBOR plus 40 basis points

<sup>1</sup> Represents outstanding balance as of December 31, 2006.

<sup>2</sup> The interest rate is based on a standard index such as the

Federal Funds  
Rate, LIBOR, or  
the money  
market rate as  
found on the  
commercial  
paper market.  
As of  
December 31,  
2006, the  
average rate on  
the outstanding  
balance was  
5.37%.

Based on estimates of future LIBOR rates as of December 31, 2006, interest expense on floating rate debt, including net amortization of premiums, is expected to total between \$80 million and \$90 million in 2007.

Our interest expense totals include payments of facility and agency fees, amortization of debt issuance costs and other miscellaneous items not related to the debt balances outstanding. We expect between \$5 million and \$15 million of such items to be included in our 2007 interest expense. Also, we expect to capitalize between \$95 million and \$105 million of interest during 2007.

***Effects of Changes in Foreign Currency Rates***

Foreign currency gains or losses are not expected to be material in 2007.

***Other Income***

We estimate that our other income in 2007 will be between \$65 million and \$85 million.

Historically, we maintained a comprehensive insurance program that included coverage for physical damage to our offshore facilities caused by hurricanes. Our historical insurance program also included substantial business interruption coverage which we are utilizing to recover costs associated with the suspended production related to hurricanes that struck the Gulf of Mexico in the third quarter of 2005.

Based on current estimates of physical damage and the anticipated length of time we will have production suspended, we expect our policy recoveries will exceed repair costs and deductible amounts. This expectation is based upon several variables, including the \$467 million received in the third quarter of 2006 as a full settlement of the amount due from our primary insurers. As of December 31, 2006, \$154 million of these proceeds had been utilized as reimbursement of past repair costs and deductible amounts. The remaining proceeds of \$313 million will be utilized as reimbursement of our anticipated future repair costs. We have not yet received any settlements related to claims filed with our secondary insurers.

Should our total policy recoveries, including the partial settlements already received, exceed all repair costs and deductible amounts, such excess will be recognized as other income in the statement of operations in the period in which such determination can be made. Based on the most recent estimates of our costs for repairs, we believe that some amount will ultimately be recorded as other income. However, the timing and amount that would be recorded as other income are uncertain. Therefore, the 2007 estimate for other income above does not include any amount related to hurricane proceeds.

***Income Taxes***

Our financial income tax rate in 2007 will vary materially depending on the actual amount of financial pre-tax earnings. The tax rate for 2007 will be significantly affected by the proportional share of consolidated pre-tax earnings generated by U.S., Canadian and International operations due to the different tax rates of each country. There are certain tax deductions and credits that will have a fixed impact on 2007 income tax expense regardless of the level of pre-tax earnings that are produced.

Given the uncertainty of pre-tax earnings, we expect that our consolidated financial income tax rate in 2007 will be between 20% and 40%. The current income tax rate is expected to be between 15% and 25%. The deferred income tax rate is expected to be between 5% and 15%. Significant changes in estimated capital expenditures, production levels of oil, natural gas and NGLs, the prices of such products, marketing and midstream revenues, or any of the various expense items could materially alter the effect of the aforementioned tax deductions and credits on 2007 financial income tax rates.

***Discontinued Operations***

As previously discussed, we intend to divest our Egyptian and West African operations in 2007. We expect to complete the sale of Egypt during the first half of 2007 and the sale of West Africa during the third quarter of 2007. The following table shows the estimates for 2007 oil, gas and NGL production as well as the anticipated production and operating expenses associated with these discontinued operations for 2007. These estimates assume the sales of Egypt and West Africa will occur at the end of the second

quarter of 2007. Pursuant to accounting rules for discontinued operations, the Egyptian assets are not subject to DD&A during 2007 and the West African assets were only subject to DD&A for the first month of 2007.

	<b>Egypt</b>	<b>West Africa</b>
Oil production (MMBbls)	1	5
Gas production (Bcf)		3
Total Boe (MMBoe)	1	6
Production and operating expenses (In millions)	\$11	\$ 34
Capital expenditures (In millions)	\$17	\$ 120

### **Year 2007 Potential Capital Resources, Uses and Liquidity**

#### ***Capital Expenditures***

Though we have completed several major property acquisitions in recent years, these transactions are opportunity driven. Thus, we do not budget, nor can we reasonably predict, the timing or size of such possible acquisitions.

Our capital expenditures budget is based on an expected range of future oil, natural gas and NGL prices as well as the expected costs of the capital additions. Should actual prices received differ materially from our price expectations for our future production, some projects may be accelerated or deferred and, consequently, may increase or decrease total 2007 capital expenditures. In addition, if the actual material or labor costs of the budgeted items vary significantly from the anticipated amounts, actual capital expenditures could vary materially from our estimates.

Given the limitations discussed above, the following table shows expected drilling, development and facilities expenditures by geographic area. Production capital related to proved reserves relates to reserves classified as proved as of year-end 2006. Other production capital includes drilling that does not offset currently productive units and for which there is not a certainty of continued production from a known productive formation. Exploration capital includes exploratory drilling to find and produce oil or gas in previously untested fault blocks or new reservoirs.

	<b>United States Onshore</b>	<b>United States Offshore</b>	<b>Canada (In millions)</b>	<b>International</b>	<b>Total</b>
Production capital related to proved reserves	\$ 1,170-\$1,270	\$ 80-\$ 90	\$ 410-\$ 450	\$ 260-\$280	\$ 1,920-\$2,090
Other production capital	\$ 1,250-\$1,340	\$ 220-\$230	\$ 590-\$ 640	\$ 15-\$ 20	\$ 2,075-\$2,230
Exploration capital	\$ 350-\$ 380	\$ 290-\$310	\$ 160-\$ 170	\$ 75-\$ 85	\$ 875-\$ 945
Total	\$ 2,770-\$2,990	\$ 590-\$630	\$ 1,160-\$1,260	\$ 350-\$385	\$ 4,870-\$5,265

In addition to the above expenditures for drilling, development and facilities, we expect to spend between \$330 million to \$370 million on our marketing and midstream assets, which include our oil pipelines, gas processing plants, CO<sub>2</sub> removal facilities and gas transport pipelines. We also expect to capitalize between \$245 million and \$255 million of G&A expenses in accordance with the full cost method of accounting and to capitalize between \$95 million and \$105 million of interest. We also expect to pay between \$40 million and \$50 million for plugging and abandonment charges, and to spend between \$135 million and \$145 million for other non-oil and gas property fixed assets.

***Other Cash Uses***

Our management expects the policy of paying a quarterly common stock dividend to continue. With the current \$0.1125 per share quarterly dividend rate and 444 million shares of common stock outstanding as of December 31, 2006, dividends are expected to approximate \$200 million. Also, we have \$150 million of 6.49% cumulative preferred stock upon which we will pay \$10 million of dividends in 2007.

***Capital Resources and Liquidity***

Our estimated 2007 cash uses, including our drilling and development activities, retirement of debt and repurchase of common stock, are expected to be funded primarily through a combination of operating cash flow and proceeds from the sale of our assets in Egypt and West Africa. Any remaining cash uses could be funded by increasing our borrowings under our commercial paper program or with borrowings from the available capacity under our credit facility, which was \$408 million at December 31, 2006. The amount of operating cash flow to be generated during 2007 is uncertain due to the factors affecting revenues and expenses as previously cited. However, we expect our combined capital resources to be more than adequate to fund our anticipated capital expenditures and other cash uses for 2007.

If significant other acquisitions or other unplanned capital requirements arise during the year, we could utilize our existing credit facility and/or seek to establish and utilize other sources of financing.

**Summary of 2007 Forward-Looking Estimates**

The tables below summarize our 2007 forward-looking estimates related to our continuing operations. As previously discussed, all Egyptian and West African related revenues, expenses and capital will be reported as discontinued operations in our 2007 financial statements. Accordingly, all forward-looking estimates in this document exclude amounts related to our operations in Egypt and West Africa, unless otherwise noted. The production estimates below are calculated at the midpoint of the estimated range for total production of 219 to 221 MMBoe.

**Oil production (MMBbls)**

U.S. Onshore	10
U.S. Offshore	9
Canada	15
International	21
<b>Total</b>	<b>55</b>

**Gas production (Bcf)**

U.S. Onshore	557
U.S. Offshore	75
Canada	207
International	2
<b>Total</b>	<b>841</b>

**NGL production (MMBbls)**

U.S. Onshore	20
U.S. Offshore	1
Canada	4
<b>Total</b>	<b>25</b>

**Total production (MMBoe)**

U.S. Onshore	123
U.S. Offshore	23
Canada	53
International	21
<b>Total</b>	<b>220</b>

	<b>As % of NYMEX Range</b>	
	<b>Low</b>	<b>High</b>

**Oil floating price differentials**

U.S. Onshore	86%	96%
U.S. Offshore	90%	100%
Canada	60%	70%
International	83%	93%

**Gas floating price differentials**

U.S. Onshore	80%	90%
U.S. Offshore	96%	106%
Canada	80%	90%
International	100%	110%

	<b>Range</b>	
	<b>Low</b>	<b>High</b>
<b>Marketing and midstream (In millions)</b>		
Revenues	\$ 1,700	\$ 2,100
Expenses	\$ 1,310	\$ 1,670
<b>Operating profit</b>	<b>\$ 390</b>	<b>\$ 430</b>
 <b>Production and operating expenses (\$ in millions)</b>		
LOE	\$ 1,700	\$ 1,770
Production taxes	3.6%	4.1%
 <b>DD&amp;A (In millions, except per Boe)</b>		
Oil and gas DD&A	\$ 2,420	\$ 2,530
Non-oil and gas DD&A	\$ 210	\$ 220
<b>Total DD&amp;A</b>	<b>\$ 2,630</b>	<b>\$ 2,750</b>
 Oil and gas DD&A per Boe	 \$ 11.00	 \$ 11.50
 <b>Other (In millions)</b>		
Accretion of ARO	\$ 45	\$ 55
G&A	\$ 460	\$ 480
Interest expense	\$ 400	\$ 410
Other revenues	\$ 65	\$ 85
 <b>Income tax rates</b>		
Current	15%	25%
Deferred	5%	15%
<b>Total tax rate</b>	<b>20%</b>	<b>40%</b>

	<b>Range</b>	
	<b>Low</b>	<b>High</b>
<b>Production capital related to proved reserves (In millions)</b>		
U.S. Onshore	\$ 1,170	\$ 1,270
U.S. Offshore	\$ 80	\$ 90
Canada	\$ 410	\$ 450
International	\$ 260	\$ 280
<b>Total</b>	<b>\$ 1,920</b>	<b>\$ 2,090</b>
 <b>Other production capital (In millions)</b>		
U.S. Onshore	\$ 1,250	\$ 1,340
U.S. Offshore	\$ 220	\$ 230
Canada	\$ 590	\$ 640
International	\$ 15	\$ 20
<b>Total</b>	<b>\$ 2,075</b>	<b>\$ 2,230</b>
 <b>Exploration capital (In millions)</b>		
U.S. Onshore	\$ 350	\$ 380
U.S. Offshore	\$ 290	\$ 310
Canada	\$ 160	\$ 170
International	\$ 75	\$ 85
<b>Total</b>	<b>\$ 875</b>	<b>\$ 945</b>
 <b>Total drilling and facility capital (In millions)</b>		
U.S. Onshore	\$ 2,770	\$ 2,990
U.S. Offshore	\$ 590	\$ 630
Canada	\$ 1,160	\$ 1,260
International	\$ 350	\$ 385
<b>Total</b>	<b>\$ 4,870</b>	<b>\$ 5,265</b>
 <b>Other capital (In millions)</b>		
Marketing & midstream	\$ 330	\$ 370
Capitalized G&A	\$ 245	\$ 255
Capitalized interest	\$ 95	\$ 105
Plugging and abandonment	\$ 40	\$ 50
Non-oil and gas	\$ 135	\$ 145
<b>Total</b>	<b>\$ 845</b>	<b>\$ 925</b>



**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/ Danny J. Heatly*  
Vice President Accounting and  
Chief Accounting Officer

Date: February 7, 2007