

Devon Barnett Shale Q&A

As of May 20, 2010

Q: Over the last few years, how have Devon's well results trended in the Barnett Shale?

A: While there has been some variation from year to year, Devon's overall well performance in the Barnett has been fairly stable with 30 day initial production rates averaging about 1.7 million cubic feet equivalent per day as shown in figure 1.

Figure 1

Devon's Barnett Horizontals - Trends in 30 Day IPs

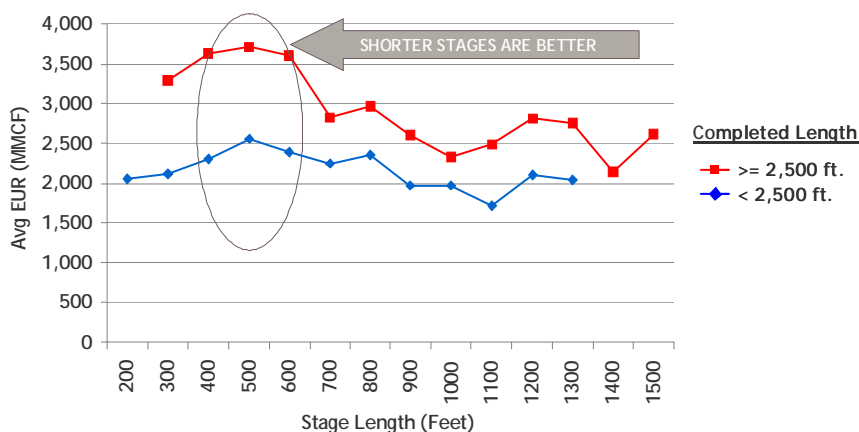


Q: Has Devon been doing more fracture stages on wells drilled recently as compared to the number of fracture stages the company performed in its earlier days?

A: Since 2002, Devon has drilled and completed more than 2,500 horizontal wells in the Barnett. We have learned that breaking our fracture stimulation jobs into more stages of smaller length improves overall well performance. As shown in figure 2, the optimum fracture stage length for the Barnett is between 400 feet and 600 feet. Based on this knowledge, in recent years we have been performing a larger number of smaller fracture stages on each well.

Figure 2

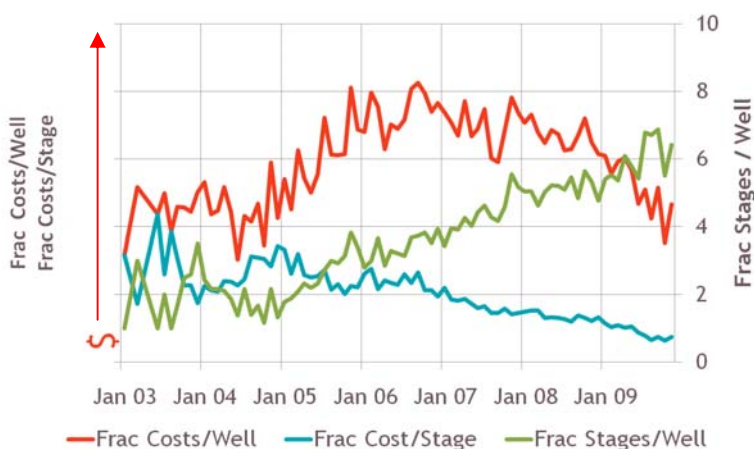
EUR vs. Stage Length - Optimum Stage Spacing



Q: Do more fracture stages per well mean higher per well costs?

A: Although we have been increasing the number of fracture stages per well, our fracture stimulation costs per well have been declining since 2006. We are not charged based on the number of fracture stages in a well. Rather, we are charged based on the size of the overall fracture stimulation program on a well. Accordingly, performing more tightly spaced fracture stages has not increased our well stimulation costs proportionately. In fact, our fracture stimulation costs per stage have been trending down since 2005. Figure 3 shows the evolution of our fracture stimulation activity in the Barnett including the number of fracture stages per well, cost per stage and overall stimulation costs per well.

Figure 3
Devon's Historical Barnett Fracture Costs



Q: Have declining stimulation costs resulted in lower drill-bit finding and development costs for Devon in the Barnett?

A: Yes, lower stimulation costs per well along with other improvements in costs and efficiency have resulted in declining drill-bit finding and development costs. Over the last four years, Devon's drill-bit finding and development costs in the Barnett have averaged just \$1.51 per mcfe and have declined each year.

Q: What percentage of Devon's wells in the Barnett Shale have failed?

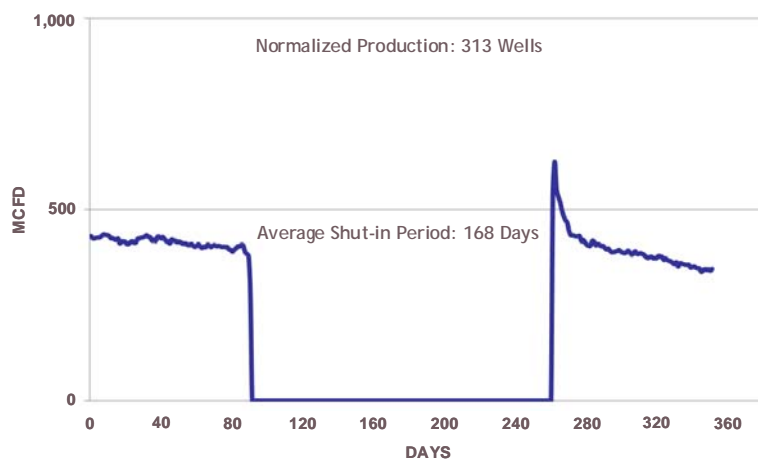
A: Of the 2,457 wells drilled by Devon in the Barnett since 2001, over 98% are still producing today.

Q: Some industry observers have estimated that well failure rates in the Barnett are much higher, in excess of 10%. Why would that be?

A: By virtue of our first mover position in the Barnett, our overall acreage position is larger and much better than many competitors. Undoubtedly, some operators have drilled wells on marginal acreage resulting in higher failure rates than those

experienced by Devon. In addition, wells in the Barnett are routinely taken off production while additional infill wells are drilled and completed from the same drilling pad. It is not uncommon for these wells to be off production for six to eight months while the adjacent locations are drilled and completed. Some industry observers have mistakenly concluded that these wells are not returned to production and are therefore “failed wells.” The following time normalized chart shows the composite performance of 313 wells that Devon had shut-in for an average of 168 days while drilling adjacent wells. As you can see, in aggregate these wells came back online producing even more than they did when initially shut-in. It is worth noting that none of these wells required additional fracture stimulation prior to being brought back on production.

Figure 4
Devon Wells Shut-In > 90 Days (Time Normalized)



Q: Is Devon’s production in the Barnett Shale growing currently?

A: Yes, it is. In the first quarter of 2010 Devon’s net production from the Barnett averaged 1.099 billion cubic feet equivalent per day, up 5% from the 1.046 billion cubic feet equivalent per day we produced in the previous quarter. In addition, we expect to reach our all-time high of 1.200 billion per day in the third quarter of this year. It is notable that this growth is being achieved with only 18 rigs running in the Barnett or about half the number we were running two years ago.

Q: Can you continue to grow the Barnett into the future?

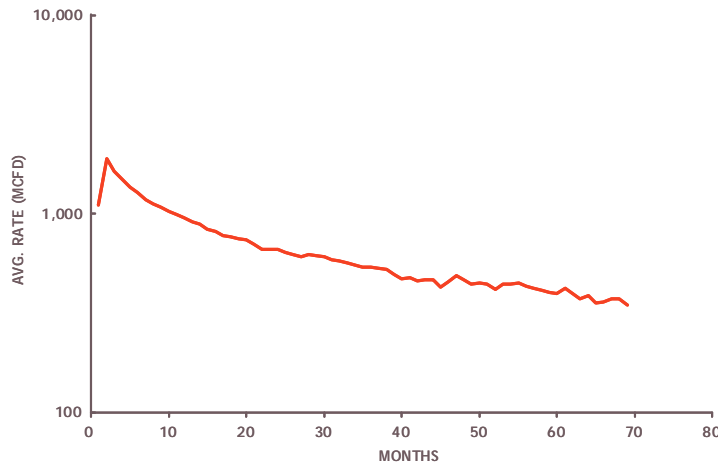
A: Yes we can. As we have gained experience in the Barnett our view of the potential on our acreage has increased significantly. The growth we are delivering in the Barnett during 2010 is based upon drilling approximately 370 wells during the year. Our estimated 7,000 remaining locations in the play provide Devon the opportunity to grow Barnett production for many years. The rate at which we drill this inventory will depend on a variety of factors including our outlook for natural gas and natural gas liquids prices, our cash flow available from operations and the demands on our capital from other project areas.

Q: How does Devon know that Barnett Shale wells follow a hyperbolic curve as opposed to an exponential curve?

A: With well histories dating back to the early 1980s and over 4,200 producing wells, the fact that Barnett wells, like other tight gas reservoirs, follow a hyperbolic decline is well established. This is now a scientific fact and no longer subject to debate.

Figure 5

Devon Barnett Horizontals - Wells Online \geq 5 Years (Time Normalized)



Q: Are Devon’s proved reserves in the Barnett audited?

A: Yes, all of Devon’s reserves in the Barnett are audited annually by an independent third-party reserve consulting firm.

Q: Has Devon been conservative or aggressive in booking its reserves in the Barnett Shale?

A: We always book reserves based on the rules in force and our experience of performance within a play. However, over time, as we have gained more experience in the Barnett, performance has exceeded our initial expectations as well as those of our independent reserve engineers. As a result, we have had significant positive performance revisions to our Barnett reserve estimates over time.

Figure 6

Year	Performance Reserve Revisions (BCFE)
2004	+ 188
2005	+ 366
2006	+ 26
2007	+ 235
2008	+ 130
2009	+ 285

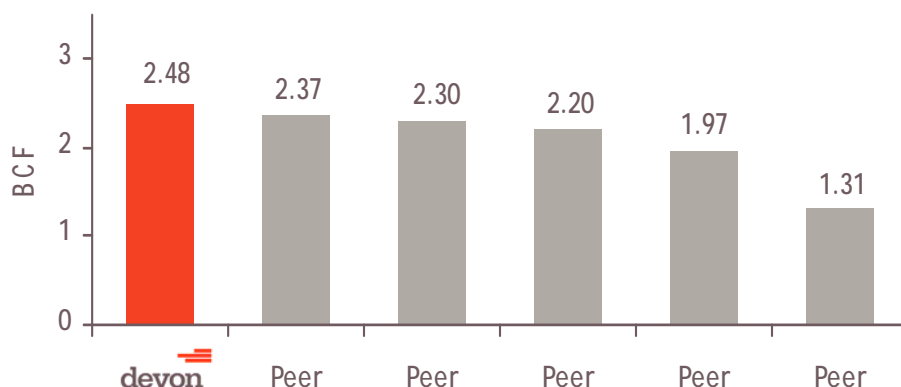
Q: Devon has said that the company's Barnett wells drilled during 2009 have average EURs of 2.8 Bcfe per well. However, the Texas Railroad Commission data implies significantly lower EURs per well. What is the difference?

A: The data reported to the Texas Railroad Commission is wellhead gas volumes. Depending upon the area of the Barnett where an individual well is drilled, producers get up to a 50% increase in production and ultimate recoveries through the extraction of natural gas liquids from the gas stream. The increase associated with the NGLs are not in the Texas Railroad Commission data.

Q: How do Devon's wellhead EURs (excluding the uplift from liquids extraction) in the Barnett compare to its competitors' wellhead EURs? What sample size did you use to derive your conclusion?

A: Figure 7 compares Devon's results to its major competitors utilizing the Texas Railroad Commission data for all horizontal wells drilled in the Barnett. The sample size used is 100% of the wells drilled with sufficient production history reported through November 2009 to allow for EUR analysis.

Figure 7
Average Barnett Shale Wellhead EURs



Source: IHS public wellhead (wet gas) data and Devon type curve - November 2009.
Note: Peers include Chesapeake, EnCana, EOG, Quicksilver and XTO.

Q: What factors drive economic returns in the Barnett Shale?

A: The key factors that drive financial returns in the Barnett Shale are the location of the well, lease terms and the cost to drill and complete a well. The Barnett Shale is a massive formation that covers more than a dozen counties, and the quality of the acreage varies significantly across the play. The location of the well influences flow rates, recoveries, and the liquids content of the gas stream. In addition, the drilling and completion costs of a well combined with acreage costs and royalty rates are also critical drivers of economic returns.

Due to Devon's first-mover position, we have a very large, high-quality acreage position concentrated in the best parts of the play. Furthermore, with an average cost per acre of only \$2,800 and with an average royalty rate of just 19%, we believe Devon's Barnett Shale economics are the best of any significant producer in the play.