

DEVON ENERGY CORP/DE
Form 8-K
November 07, 2012

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): November 7, 2012

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

Our original 2012 forward-looking estimates are included in our Form 8-K filed on February 15, 2012. These estimates were based on our examination of historical operating trends, the information used to prepare our December 31, 2011, reserve reports and other data in our possession or available from third parties. Subsequently, we updated certain of our capital and operating metrics at an analyst conference in April 2012, during our first quarter 2012 earnings call in May 2012 and in our Form 8-K filed on August 1, 2012.

Based on our examination of historical operating trends during the first three quarters of 2012, we are further updating certain of our fourth quarter 2012 estimates. 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 factors discussed in this report.

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. We assume no duty to update or revise our forward-looking statements based on new information, future events or otherwise.

Financial amounts related to our Canadian operations in the following tables have been converted to U.S. dollars using estimated average exchange rates of \$1.00 Canadian dollar to \$1.00 U.S. dollar.

Oil, Gas and NGL Production and Prices

We estimate that our combined fourth quarter 2012 oil, gas and NGL production will total 670 to 680 MBoepd. Set forth below are our estimates of oil, gas and NGL production per day.

	Low	High
Oil (MBbls/d)	148	150
Gas (MMcf/d)	2,470	2,510
NGLs (MBbls/d)	110	112
Total (MBoe/d)	670	680

We expect our fourth quarter floating prices for production from each of our operating areas to differ from the NYMEX price as set forth in the following table. The price for oil and the NGLs relationship to crude oil is determined using the monthly average of NYMEX settled prices on each trading day for benchmark West Texas Intermediate crude oil delivered at Cushing, Oklahoma. The NYMEX price for gas is determined using the first-of-month South Louisiana Henry Hub price index as published monthly in *Inside FERC*.

	Prices as a % of NYMEX Price		
	Oil	Gas	NGLs
U.S.	89% to 99%	76% to 86%	28% to 33%
Canada	64% to 74%	80% to 90%	48% to 53%
Total	75% to 85%	77% to 87%	29% to 34%

Commodity Price Risk Management

As of October 31, 2012, we had the following oil derivative positions associated with fourth quarter 2012 production. Our oil derivatives 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	Weighted Average	
		Price (\$/Bbl)		Price (\$/Bbl)	Price (\$/Bbl)	Price (\$/Bbl)	
Q4 2012	57,000	\$ 105.47	77,000	\$ 89.72	\$ 122.39	19,500	\$ 95.00

Period	Basis Swaps	
	Index	Weighted Average Differential to WTI (\$/Bbl)
Q4 2012	Western Canadian Select	\$17.29

As of October 31, 2012, we had the following natural gas derivative positions associated with fourth quarter 2012 production. Our natural gas derivatives settle against the *Inside FERC* first of the month Henry Hub index.

Period	Price Swaps		Price Collars		Call Options Sold	
	Volume (MMBtu/d)	Weighted Average	Volume (MMBtu/d)	Weighted Average Floor	Weighted Average Ceiling	Weighted Average
		Price (\$/MMBtu)		Price (\$/MMBtu)	Price (\$/MMBtu)	Price (\$/MMBtu)
Q4 2012	657,609	\$ 3.92	1,323,696	\$ 3.50	\$ 4.17	\$ 6.00

Other Operating Items

The following table includes estimates of other revenue and expense items associated with our fourth quarter operations, as well as our quarterly dividend rate. The other expense, net estimate consists of accretion of asset retirement obligations, interest rate swap settlements, interest income and other miscellaneous items.

	Low (\$ in millions, except per Boe)	High
Marketing & midstream operating profit	\$ 90	\$ 110
Lease operating expenses per Boe	\$ 8.40	\$ 8.60
Depreciation, depletion and amortization per Boe	\$ 11.30	\$ 11.50
General & administrative expenses per Boe	\$ 2.60	\$ 2.80
Taxes other than income taxes as % of oil, gas, and NGL sales	5.40%	6.40%
Interest expense	\$ 105	\$ 115
Other expense, net	\$ 10	\$ 20
Current income tax rate	%	10%
Deferred income tax rate	30%	30%
Total income tax rate	30%	40%
Quarterly per share dividend rate	\$ 0.20	

Interest Rate Risk Management

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As of October 31, 2012, we had fixed-to-floating interest rate swaps as follows.

Notional (In millions)	Fixed Rate Received	Variable Rate Paid	Expiration
\$750	3.88%	Federal funds rate	July 2013

Capital Expenditures

The table below includes our estimates for our fourth quarter capital expenditures.

	Low (\$ in millions)	High
Development	\$ 1,200	\$ 1,300
Exploration	425	475
Subtotal	1,625	1,775
Capitalized G&A and interest	95	105
Total oil and gas	1,720	1,880
Midstream	140	160
Corporate & other	40	60
Total other	180	220
Total capital expenditures	\$ 1,900	\$ 2,100

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: November 7, 2012