DEVON ENERGY CORP/DE
Form DEF 14A
April 27, 2016
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material under Rule 14a-12

DEVON ENERGY CORPORATION

(Name of registrant as specified in its charter)

(Name of person(s) filing proxy statement, if other than the registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

¨ Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

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Wednesday, June 8, 2016 at 8:00 a.m., local time

Devon Energy Center Auditorium

333 West Sheridan Avenue, Oklahoma City, Oklahoma

Commitment Runs Deep

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Dear Fellow Stockholders,

We are pleased to invite you to attend the 2016 Annual Meeting of Stockholders of Devon Energy Corporation to be held at 8:00 a.m. Central Time on Wednesday, June 8, 2016, in the Devon Energy Center Auditorium located at 333 W. Sheridan Avenue, Oklahoma City, Oklahoma 73102. The meeting will focus on the items of business listed in the Notice of Annual Meeting of Stockholders and Proxy Statement that follows. Your vote on these matters is important to us. Whether or not you plan to attend the meeting, please review the proxy material and vote by internet, phone or mail as soon as possible.

2015 was pivotal for Devon s portfolio as we continued to sharpen our focus on the very best resource plays in North America by successfully executing a transaction that added to our position in the Oklahoma Anadarko Basin and announcing our intent to monetize $2 billion to $3 billion of non-core assets.

Looking forward from 2015, we find ourselves in the worst industry downturn in recent history. The circumstances that brought us here and the downward spiral of oil prices are unprecedented. Despite this price environment, we remain committed to delivering strong results through superior execution. Devon continues to be focused on delivering meaningful cost reductions and efficiency gains across our asset portfolio. Our drilling programs consistently generate top-tier industry results through higher production rates and rapidly declining capital costs. These efforts will continue in 2016 and are focused on capturing full value from our assets and improving stockholder returns.

It is important that your shares be represented and voted at the Annual Meeting. We urge you to submit your proxy using the internet or telephone or by completing and mailing your Proxy Card in the envelope provided. You may also attend and vote at the Annual Meeting.

Sincerely,

J. Larry Nichols

Executive Chairman of the Board

Commitment Runs Deep

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DEVON ENERGY CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Time	8:00 a.m. (central time) on Wednesday, June 8, 2016
Place	Devon Energy Center Auditorium 333 W. Sheridan Avenue Oklahoma City, Oklahoma 73102
Items of Business	Elect nine directors for a term of one year; Approve, in an advisory vote, executive compensation; Ratify the appointment of the independent auditors for 2016; Consider and vote upon the stockholder proposals set forth in this Proxy Statement, if presented; and Transact such other business as may properly come before the meeting or any adjournment of the meeting.
Who Can Vote	Stockholders of record at the close of business on April 11, 2016 are entitled to notice of and to vote at the meeting. You may examine a complete list of stockholders entitled to vote at the meeting during normal business hours for the ten days prior to the meeting at our offices and at the meeting.
Voting by Proxy	Please submit a proxy as soon as possible so that your shares can be voted at the meeting in accordance with your instructions. You may submit your proxy by: internet; telephone; or mail For specific information, please refer to the section entitled Information About the Annual Meeting beginning on page 4.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on June 8, 2016:

Our 2016 Proxy Materials, including the 2016 Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2015, are available at www.proxydocs.com/dvn.

BY ORDER OF THE BOARD OF DIRECTORS

Carla D. Brockman

Vice President Corporate Governance

and Corporate Secretary

Oklahoma City, Oklahoma

April 27, 2016

Commitment Runs Deep

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We provide below highlights of certain information in this Proxy Statement. As it is only a summary, please refer to the complete 2016 Proxy Statement and Annual Report before you vote.

2016 ANNUAL MEETING OF STOCKHOLDERS

Date and Time:

June 8, 2016, 8:00 a.m. (central time)

Place:

Devon Energy Center Auditorium

333 W. Sheridan Avenue

Oklahoma City, Oklahoma 73102

Record Date:

April 11, 2016

Voting:

- internet
- telephone; or
- mail

VOTING MATTERS AND BOARD RECOMMENDATIONS

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STOCKHOLDER ENGAGEMENT

As part of Devon s commitment to corporate governance we conduct investor outreach throughout the year to obtain feedback from our stockholders on our corporate governance practices and executive compensation programs. In the past year we reached out to holders of approximately 43 percent of Devon s outstanding shares to discuss, among other issues, implementation of proxy access rights, executive compensation and important environmental, social and governance issues. A more complete discussion of our stockholder engagement efforts and proxy access is included on page 22.

CORPORATE GOVERNANCE

Corporate Governance Highlights

Annual Election of All Directors

Majority Voting and a Director Resignation Policy in Uncontested Elections

Stockholder Right to Call a Special Meeting

Independent Lead Director

Proxy Access Rights
78% of Directors Are Independent

Executive Sessions of Independent Directors Held at Each Regularly Scheduled Board Meeting

Director Stock Ownership Guidelines

Board Participation in Succession Planning

EXECUTIVE COMPENSATION PROGRAMS

Our Executive Compensation Programs Include the Following Factors

Long-Term Incentive Stock Awards are Performance-Based

Quantitative Process Utilized for Performance Cash Bonus Awards

Realizable Pay Opportunities are Tied to Company Performance

Stock Ownership Requirements

Recoupment Policy

Double Trigger Vesting of Long-Term Incentives upon Change in Control

Say-on-Pay Vote and Response to Stockholder Feedback

At the Company s 2015 Annual Meeting, 93% of the Company s stockholders voted to approve the Company s executive compensation for 2014. We continue to engage in discussions with stockholders on executive compensation and its tie to Company performance. Stockholders have reacted favorably to the Company s compensation practices, including the changes made over the past few years, which are detailed in the Compensation Discussion and Analysis section beginning on page 31 of this Proxy Statement.

2015 Company Performance and Pay Alignment

The Company met or exceeded most targets for financial and operational goals for 2015. For example, Devon s oil and overall production in 2015 exceeded the top end of the guidance range issued by the Company on February 17, 2015, and oil production in the fourth quarter of 2015 increased by 16% as compared to the same quarter in 2014. The Company also successfully maintained capital expenditures below the goal established at the beginning of the year and reduced lease operating and general and administrative expenses, which resulted in greater operational efficiency for the year.

The Company achieved significant enhancements to its asset portfolio in 2015 through the successful execution of a transaction that added significant acreage positions in one of the most promising oil plays in North America in Oklahoma s Anadarko Basin STACK play. The Company also announced plans to monetize non-core upstream assets.

During 2015, Devon s stock price reached an intra-year high price of $70.48, which was approximately 15% above 2014 s closing price. Devon s relative TSR was consistently in the top quarter of the peer group for the first half of the year before finishing the full year in 11th position in the Company s 15 member peer group. Overall, Devon s full year total stockholder return (TSR) underperformed that of many peer companies in 2015.

The Company s 2015 overall performance is a reflection that the Company performed well on many operational measures but also recorded disappointing results on important measures such as TSR and reserves additions. For this reason, at the January 2016 meeting in which the Compensation Committee considered cash bonuses for 2015 Company performance, the Compensation Committee awarded bonuses at 90% of target.

In early 2016, the Compensation Committee awarded long-term incentives at lower values than recent years. Executive officers in the same position as the prior year received long-term incentive awards valued at 33% less than the prior year, and executive officers with increased job duties and responsibilities as compared to the prior year received long-term incentive awards valued at 33% less than benchmarks. The Compensation Committee determined that this outcome would appropriately reflect, among other factors, a greater alignment between executive officers and stockholders.

Please see the Compensation Discussion and Analysis section beginning on page 31 of this Proxy Statement for a detailed description of our executive compensation

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We are furnishing you this Proxy Statement in connection with the solicitation of proxies by our Board of Directors (Board) to be used at the Annual Meeting and any adjournment thereof. The Annual Meeting will be held on Wednesday, June 8, 2016 at 8:00 a.m. Central Time.

All references in this Proxy Statement to we, our, us, or the Company refer to Devon Energy Corporation.

What are the Board of Directors voting recommendations?

For the election of the nine Director nominees named in this Proxy Statement for a term expiring at the next Annual Meeting of Stockholders;

For the approval, on an advisory basis, of executive compensation;

For the ratification of the appointment of our independent auditors for 2016; and

Against the stockholder proposals set forth in this Proxy Statement, if presented.

Who is entitled to vote?

Stockholders as of the close of business on April 11, 2016 (the Record Date) are eligible to vote their shares at the Annual Meeting. As of the Record Date, there were 523,909,102 shares of our common stock outstanding. Each share of common stock is entitled to one vote at the Annual Meeting.

How do I vote?

You may:

attend the Annual Meeting and vote in person; or

dial the toll-free number listed on the Proxy Card or Voting Instruction Form. Easy-to-follow voice prompts allow you to vote your shares and confirm that your
voting instructions have been properly recorded. Telephone voting will be available 24 hours a day, and will close at 11:59 p.m. Eastern Time on June 7, 2016; or

go to the website www.proxyvote.com and follow the instructions, then confirm that your voting instructions have been properly recorded. If you vote using the website, you can request electronic delivery of future proxy materials. Internet voting will be available 24 hours a day, and will close at 11:59 p.m. Eastern Time on June 7, 2016; or

if you elected to receive a paper copy of your proxy materials, mark your selections on the Proxy Card, date and sign it, and return the card in the pre-addressed, postage-paid envelope provided.

Why did I receive a Notice Regarding the Internet Availability of Proxy Materials in the mail instead of a full set of proxy materials?

The United States Securities and Exchange Commission (the SEC) rules allow companies to furnish proxy materials over the Internet. We have sent a Notice of Internet Availability of Proxy Materials (the Notice) to most of our stockholders instead of a paper copy of the proxy materials. Instructions on how to access the proxy materials over the Internet or to request a paper copy may be found in the Notice. In addition, stockholders may request to receive future proxy materials in printed form by mail or electronically by email. A stockholder s election to receive proxy materials by mail or email will remain in effect until the stockholder terminates it.

Why did I receive paper copies of proxy materials?

We are providing paper copies of the proxy materials instead of a Notice to certain stockholders, including those who have

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previously requested to receive them. If you prefer to no longer receive printed proxy materials, you may consent to receive all future proxy materials electronically via email or online. To sign up for electronic delivery, please follow the instructions provided in your proxy materials. When prompted, indicate that you agree to receive or access stockholder communications electronically in the future.

How do I vote the shares held in my Devon 401(k) Plan account?

If you are a current employee participating in the Devon Energy Incentive Savings Plan (the 401(k) Plan), please follow the instructions you received via email from Broadridge Financial Solutions, Inc. (Broadridge).

If you are a former employee and have shares of our common stock credited to your 401(k) Plan account as of the Record Date, such shares are shown on the Voting Instruction Form you received from Broadridge. You have the right to direct Fidelity Management Trust Company (the 401(k) Plan Trustee) regarding how to vote those shares, which you can do by voting your shares in the same manner as provided above.

The 401(k) Plan Trustee will vote your shares in the 401(k) Plan account in accordance with your instructions. **If instructions are not received by June 5, 2016, the shares credited to your account will not be voted.**

Will each stockholder in our household receive proxy materials?

Generally, no. We try to provide only one set of proxy materials to be delivered to multiple stockholders sharing an address unless you have given us other instructions. Any stockholder at a shared address may request delivery of single or multiple copies of proxy materials for future meetings or an additional copy of the proxy materials for this meeting by contacting us at Devon Energy Corporation, Attention: Corporate Secretary, 333 W. Sheridan Avenue, Oklahoma City, Oklahoma 73102, email: corporatesecretary@dvn.com or by calling (405) 235-3611 and requesting to speak to the Corporate Secretary.

Who will be admitted to the Annual Meeting?

Admission to the Annual Meeting will be limited to our stockholders of record, persons holding proxies from our stockholders, beneficial owners of our common stock and our employees. If your shares are registered in your name, we will verify your ownership at the meeting in our list of stockholders as of the Record Date. If your shares are held through a broker, bank or other nominee, you must bring proof of your ownership of the shares. This proof could consist of, for example, a bank or brokerage firm account statement or a letter from your bank or broker confirming your ownership as of the Record Date.

If I vote via telephone or the Internet or by mailing my Proxy Card, may I still attend the Annual Meeting?

Yes.

What if I want to change my vote?

You may revoke your proxy before it is voted by submitting a new proxy with a later date (by mail, telephone or Internet), by voting at the Annual Meeting, or by filing a written revocation with our Corporate Secretary. Your attendance at the Annual Meeting will not automatically revoke your proxy.

Who will count the votes?

Broadridge will tabulate the votes.

What constitutes a quorum?

A majority of the shares entitled to vote, present in person or represented by proxy, constitutes a quorum. If you vote by telephone or Internet or by returning your Proxy Card, you will be considered part of the quorum. Broadridge, the Inspector of Election, will treat shares represented by a properly executed proxy as present at the meeting. Abstentions and broker non-votes will be counted for purposes of determining a quorum. A broker non-vote occurs when a nominee holding shares for a beneficial owner submits a proxy but does not vote on a particular proposal because the nominee does not have discretionary voting power for that item and has not received instructions from the beneficial owner.

How many votes will be required to approve a proposal?

For the election of Directors, in an uncontested election, a nominee for Director shall be elected if the votes cast for such nominee s election exceed the votes withheld in such nominee s election. Any nominee for Director in a contested election shall be elected by a plurality of the votes cast.

Our Corporate Governance Guidelines and Bylaws contain a director resignation policy which provides that any nominee for Director in an uncontested election who fails to receive a greater number of votes cast for such nominee s election than the votes cast withheld in such nominee s election shall tender his or her written offer of resignation to the Governance Committee of the Board of Directors within 90 days from the date of the election. The Governance Committee will consider all of the relevant facts and circumstances and recommend to the Board the action to be taken with respect to such offer of resignation.

With respect to other matters, the affirmative vote of the holders of a majority of the total number of votes represented at the Annual Meeting is required to take the action.

Shares cannot be voted at the Annual Meeting unless the holder of record is present in person or by proxy.

Can brokers who hold shares in street name vote those shares if they have received no instructions?

Under the rules of the New York Stock Exchange (the NYSE), brokers may not vote the shares held by them in street name for their customers

and for which they have not received instructions, except with respect to a routine matter. The only matter to be voted on at the Annual Meeting that is considered routine for these purposes is the ratification of the appointment of the independent auditors. This means that brokers may not vote your shares on any other matter if you have not given instructions as to how to vote. Please be sure to give voting instructions to your broker so that your vote will be counted.

How will you treat abstentions and broker non-votes?

We will:

- count abstentions and broker non-votes for purposes of determining the presence of a quorum at the Annual Meeting;
- treat abstentions as votes not cast but as shares represented at the Annual Meeting for determining results on actions requiring a majority of shares present and entitled to vote at the Annual Meeting;
- not consider broker non-votes for determining actions requiring a majority of shares present and entitled to vote at the Annual Meeting; and
- consider neither abstentions nor broker non-votes in determining results of plurality votes.

Who pays the solicitation expenses?

We will bear the cost of solicitation of proxies. Proxies may be solicited by mail or personally by our Directors, officers or employees, none of whom will receive additional compensation for such solicitation. We have retained D.F. King & Co. to assist in the solicitation of proxies at an estimated cost of $10,500 plus reasonable expenses. Those holding shares of common stock of record for the benefit of others, or nominee holders, are being asked to distribute proxy soliciting materials to, and request voting instructions from, the beneficial owners of such shares. We will reimburse nominee holders for their reasonable out-of-pocket expenses.

Where can I find the voting results of the Annual Meeting?

We will announce preliminary voting results at the Annual Meeting, and we will publish final results in a Form 8-K that will be filed with the SEC within four business days after the Annual Meeting. You may obtain a copy of this and other reports free of charge at www.devonenergy.com, or by contacting us at (405) 235-3611 or corporatesecretary@dvn.com, or by accessing the SEC s website at www.sec.gov.

Will the Company s independent auditors be available at the Annual Meeting to respond to questions?

Yes. The Audit Committee of the Board of Directors has approved KPMG LLP to serve as our independent auditors for the year ending December 31, 2016. Representatives of KPMG LLP will be present at the Annual Meeting. They will have an opportunity to make a statement, if they desire to do so, and will be available to respond to stockholder questions.

Where can I contact the Company?

Our contact information is:

Corporate Secretary

Devon Energy Corporation

333 W. Sheridan Avenue

Oklahoma City, Oklahoma 73102

(405) 235-3611

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Our Board of Directors has nominated nine directors for election at the Annual Meeting. Each Director will serve for a term ending at the next Annual Meeting, and until his or her successor is duly elected and qualified, subject to such Director s earlier death, disqualification, resignation or removal. Eight of the nominees are currently Devon directors who were elected by stockholders at the 2015 Annual Meeting. David A. Hager, President and Chief Executive Officer, who does not currently serve as a director of the Company, has also been nominated for election at the Annual Meeting.

J. Larry Nichols, Executive Chairman, will retire at the end of his term following the Annual Meeting, in accordance with the director retirement provision of the Company s Corporate Governance Guidelines. Therefore, he was not nominated for re-election.

Within each nominee s biography below, we have highlighted certain notable skills and qualifications that contributed to his or her selection as a member of our Board of Directors.

We have no reason to believe that any of the nominees for director will be unable to serve if elected. However, if any of these nominees becomes unavailable, the persons named in the proxy intend to vote for any alternate designated by the current Board. Proxies cannot be voted for a greater number of persons than the nominees named.

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Director Nominees

Barbara M. Baumann

Director since 2014

Age 60

Committees:

Audit

Governance

Experience and Qualifications

Barbara M. Baumann is a former BP Amoco executive who currently serves as president and owner of Cross Creek Energy Corporation, an energy advisory firm with investments in the domestic oil and gas business. Prior to founding her own firm in 2003, Baumann was executive vice president of Associated Energy Managers, a private equity firm investing in small energy companies. Ms. Baumann began her 18-year career with Amoco (later BP Amoco) in 1981. She served in various areas of finance and operations, including chief financial officer of Ecova Corporation, Amoco s wholly-owned environmental remediation business, and vice president of Amoco s San Juan Basin business unit. She brings to the Board her extensive knowledge of the energy industry and her experience as an accomplished leader and business professional.

Education

Ms. Baumann earned a bachelor s degree from Mount Holyoke College and a master s in business administration from the Wharton School of the University of Pennsylvania.

Other Boards and Appointments

Ms. Baumann is a director of Buckeye Partners, L.P. where she serves on the audit committee and the nominating and governance committee. Ms. Baumann is also a member of the Board of Trustees of Putnam Investments, Inc. She is a director of privately held Hat Creek Energy Corporation where she chairs the compensation committee and serves on the audit committee. She previously served on the boards of Cody Resources Management, LLC, CVR Energy, SM Energy, and UNS Energy.

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Experience and Qualifications

John E. Bethancourt

Director since 2014

Age 64

Committees:

- Compensation
- Governance
- Reserves

John E. Bethancourt is a retired Chevron executive. He most recently served as executive vice president for technology and services where he was responsible for overseeing Chevron s environmental, health and safety efforts, major project management, procurement and mining operations. Mr. Bethancourt began his career in 1974 with Getty Oil Company and joined Texaco Inc. in 1984 when the two companies merged. During his career with Texaco and later Chevron, Mr. Bethancourt served in various executive leadership roles overseeing business development, worldwide production operations and human resources. He brings to the Board his extensive knowledge of the energy industry and his experience as an accomplished leader and business professional.

Education

Mr. Bethancourt earned a bachelor s degree in petroleum engineering from Texas A&M University.

Other Boards and Appointments

Mr. Bethancourt previously served on the board of trustees of the Texas A&M Foundation and is a past director of both the Society of Petroleum Engineers and the National Action Council for Minorities in Engineering, Inc.

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Experience and Qualifications

David A. Hager

Director Nominee

Age 59

David A. Hager was elected by the Board of Directors to the position of President and Chief Executive Officer on August 1, 2015. He joined the Company in March 2009 and held the position of Executive Vice President Exploration and Production from 2009 until 2013 and Chief Operating Officer from 2013 to 2015. Mr. Hager started in the oil and gas business as a geophysicist with Mobil Corp. He joined Sun Oil in 1981 and continued with Oryx Energy following its spin off from Sun Oil. During his tenure at Oryx, he managed new ventures and deepwater projects around the world. Oryx merged with Kerr-McGee in 1999 and, while at Kerr-McGee, Mr. Hager managed the company s worldwide deepwater exploration and production operations and assumed responsibility for all exploration and production activities in 2003. He later served as Kerr-McGee s chief operating officer until it was acquired by Anadarko Corp. in 2006.

Education

Mr. Hager has a bachelor s degree in geophysics from Purdue University and a master s degree in business administration from Southern Methodist University.

Other Boards and Appointments

From 2007 until joining the Company as an executive officer, Mr. Hager served as a member of Devon s Board of Directors. Mr. Hager currently serves on the boards of the managing member and general partner of EnLink Midstream, LLC (ENLC) and EnLink Midstream Partners, LP (ENLK), respectively, and on their compensation committees. As of April 1, 2016, Devon owned approximately 64 percent of ENLC and 25 percent of ENLK.

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Experience and Qualifications

Robert H. Henry

Director since 2010

Age 63

Committees:

Audit

Governance

Robert H. Henry is a legal and foreign relations scholar, public servant and leader. He has served as the President and Chief Executive Officer of Oklahoma City University since 2010. Mr. Henry brings to the Board his experience and knowledge of the law, which enable him to provide valuable insights in the areas of governance and public policy.

Mr. Henry has had a distinguished career in public service. In 1994, President Bill Clinton appointed Mr. Henry to the United States Court of Appeals for the Tenth Circuit, where he served until June 2010, most recently as Chief Judge. Mr. Henry was elected and re-elected Attorney General of the State of Oklahoma from 1986 to 1991. He served in the Oklahoma House of Representatives from 1976 to 1986 where he was principal author of the 1986 Oklahoma General Corporation Act that moved Oklahoma law to the Delaware corporate law model.

Mr. Henry was Dean and Professor of Law at Oklahoma City University School of Law from 1991 to 1994. Mr. Henry also taught at the University of Oklahoma Honors College (Oxford Program), the University of Oklahoma College of Law, and Oklahoma Baptist University (Business Law) and served as Distinguished Judge in Residence at the University of Tulsa College of Law.

Education

Mr. Henry received his bachelor s degree and juris doctorate from the University of Oklahoma. He received an honorary degree of doctor of humane letters from the University of Tulsa and an honorary degree of doctor of laws from Oklahoma City University.

Other Boards and Appointments

Mr. Henry is a life member of the National Conference of Commissioners on Uniform State Laws, and a member of the Council on Foreign Relations, the American Law Institute, and the William J. Holloway, Jr. American Inn of Court, Master of the Court. While a federal judge,
Mr. Henry served as chair of the committee on International Relations of the Judicial Conference of the United States. He is a life and founding member of the Tenth Judicial Circuit s Historical Society. Mr. Henry serves on the board of directors of iCivics, Allied Arts and the Oklahoma Medical Research Foundation. He previously served on the board of LSB Industries, Inc.

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Experience and Qualifications

Michael M. Kanovsky

Director since 1999

Age 67

Committees:

Chair, Reserves

Audit

Michael Kanovsky is a Professional Engineer and has been involved with investment banking and oil and gas businesses for over 40 years. He has been President of Sky Energy Corporation since 1993. Mr. Kanovsky brings to the Board an extensive knowledge of the energy industry and finance, with a wealth of experience with Canadian assets and areas of operation.

In 1978, Mr. Kanovsky co-founded Canadian Northstar Corporation and its successor, Northstar Energy Corporation, where he was primarily responsible for strategic development, finance and acquisitions until its acquisition by Devon Energy Corporation in 1998. In 1997, Mr. Kanovsky founded Bonavista Petroleum Ltd. Mr. Kanovsky has also held other executive positions, including chief executive officer of Arrowstar Drilling and vice president of Corporate Finance, Western Canada, for a large Canadian investment dealer.

Education

Mr. Kanovsky received a bachelor s degree in mechanical engineering from Queen s University as well as a master s degree in business administration from the Richard Ivey School of Business at Western University.

Other Boards and Appointments

Mr. Kanovsky is a director of Bonavista Energy Corporation and serves as lead director, chairman of the governance and nominating committee and is a member of the reserves, audit and compensation committees. He is a director of Pure Technologies Ltd. and serves as lead director and on the corporate governance and nominating committee. He is also a director of Seven Generations Energy Ltd. and serves on the audit and finance committee and reserves and risk management committee.

Mr. Kanovsky previously served on the boards of TransAlta Corporation, ARC Resources Ltd. and Argosy Energy, Inc. He also served as chairman of the Board of Taro Industries and vice chairman of Precision Drilling, Inc. He co-founded PowerLink Corporation, an electrical cogeneration company and former subsidiary of Northstar Energy Corporation, and served as its senior executive board chairman.

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Experience and Qualifications

Robert A. Mosbacher, Jr.

Director since 2009

Age 64

Committees:

Chair, Governance

Compensation

Robert A. Mosbacher, Jr. is an accomplished business leader with more than 30 years in the energy industry. He is Chairman of Mosbacher Energy Company, an independent oil and gas exploration and production company. Mr. Mosbacher brings to the Board his extensive background in the energy industry and his leadership skills, which contributed to the development of the global marketplace.

In 2005, Mr. Mosbacher was appointed by President George W. Bush to the position of president and chief executive officer of the Overseas Private Investment Corporation, an independent agency of the U.S. government that supports private capital investment in emerging markets around the world. He served in that capacity until 2009. From 1986 to 2005, he served as president and chief executive officer of Mosbacher Energy Company. He was also vice chairman of Mosbacher Power Group, an independent electric power developer, from 1995 to 2003. Mr. Mosbacher had a distinguished public service career that included serving as chairman of the board of the Texas Department of Human Services and as a staff member in the office of Senator Howard Baker of Tennessee.

Education

Mr. Mosbacher received a bachelor s degree in political science from Georgetown University and a juris doctorate degree from Southern Methodist University.

Other Boards and Appointments

Mr. Mosbacher is a director of Calpine Corporation and currently serves on Calpine s nominating and governance committee and compensation committee. In addition, Mr. Mosbacher is chairman of the Board of Global Communities and the Initiative for Global Development and serves on the Board of the Americas Society. Mr. Mosbacher previously served as a member of Devon s Board from 1999 until 2005.

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Experience and Qualifications

Duane C. Radtke

Director since 2010

Age 67

Committees:

Compensation

Reserves

Duane C. Radtke has over 45 years of experience in management, engineering and business development in the energy industry. Mr. Radtke has been President and Chief Executive Officer of Valiant Exploration LLC since 2008. Mr. Radtke brings to the Board extensive knowledge of the energy business, including experience with the Company s assets and operations.

Mr. Radtke served as the chief executive officer and president of Dominion Exploration and Production, a subsidiary of Dominion Resources, Inc., from 2001 to 2007. During that period, he also served as executive vice president of Consolidated Natural Gas Company, a subsidiary of Dominion Resources Inc. Prior to his tenure with Dominion Resources, Inc., Mr. Radtke was an executive with Santa Fe Snyder where he served in various capacities, including executive vice president of production. Following Devon s acquisition of Santa Fe Snyder in 2000, Mr. Radtke served as President of the Company s international division until joining Dominion.

Education

Mr. Radtke holds a bachelor s degree in mining engineering from the University of Wisconsin.

Other Boards and Appointments

Mr. Radtke is a director of Sabine Oil & Gas Corporation and serves as the lead director and on the compensation, audit and governance committees. Mr. Radtke is also a director of Kris Energy Ltd. and serves on the compensation, governance and investment committees. He previously served as chairman of the American Exploration and Production Council, as a director of Smith International, Inc. and as a director of Consolidated Natural Gas Company. Mr. Radtke is also non-executive chairman of Bazean Corporation, a private investment company.

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Experience and Qualifications

Mary P. Ricciardello

Director since 2007

Age 60

Committees:

Chair, Audit

Governance

Mary P. Ricciardello is a licensed Certified Public Accountant and a financial executive with over 30 years of experience in the energy industry. She brings to the Board her qualifications as a financial expert and her extensive experience in the energy industry, corporate finance and tax matters.

In 2002, Ms. Ricciardello retired after a 20-year career with Reliant Energy Inc., a leading independent power producer and marketer. She served in various financial management positions with the company, including comptroller, vice president and most recently senior vice president and chief accounting officer.

Education

Ms. Ricciardello holds a bachelor s degree in business administration from the University of South Dakota and a master s degree in business administration with an emphasis in finance from the University of Houston.

Other Boards and Appointments

Ms. Ricciardello is currently a director of Noble Corporation where she is the designated financial expert, serves as the Audit Committee chairperson and is a member of the Nominating & Governance Committee. Ms. Ricciardello serves on the boards of the managing member and general partner of ENLC and ENLK, respectively, and on their audit committees. As of April 1, 2016, Devon owned approximately 64 percent of ENLC and 25 percent of ENLK. She also serves on the board of the National Association of Corporate Directors (NACD) Houston Chapter and recently received the NACD designation Board Leadership Fellow . Ms. Ricciardello was previously a director of US Concrete and Midstates Petroleum Company. Ms. Ricciardello is also an editorial advisor for the Journal of Accountancy.

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Experience and Qualifications

John Richels Director since 2007 Age 65 Vice Chairman	John Richels is an accomplished business leader with 35 years of experience in the oil and gas industry and legal profession. He served as the Company s President from 2004 through 2010 and President and Chief Executive Officer from 2010 until his retirement in 2015. He was elected Vice Chairman in December 2014 and will be elected as Chairman of the Board upon the retirement of J. Larry Nichols in June 2016. Mr. Richels brings to the Board an extensive knowledge of the energy industry, including his experience with the Company s assets and operations.

Mr. Richels joined Devon in 1998 when the Company acquired Northstar Energy Corporation, where he held the office of executive vice president and chief financial officer. After the acquisition, he served as senior vice president of Devon and president and chief executive officer of Devon s Canadian subsidiary.

Prior to joining Northstar, Mr. Richels was managing partner, chief operating partner and a member of the executive committee of the Canadian-based national law firm Bennett Jones. He joined Bennett Jones in 1978 practicing in the mergers and acquisitions, securities and corporate law areas, primarily in the oil and gas sector. During his legal career, Mr. Richels also served, on loan from Bennett Jones, as an officer of the XV Olympic Winter Games Organizing Committee in Calgary.

Education

Mr. Richels received a bachelor s degree in economics from York University. He also received a law degree from the University of Windsor.

Other Boards and Appointments

Mr. Richels serves as chairman of the boards of the managing member and general partner of ENLC and ENLK, respectively. As of April 1, 2016, Devon owned approximately 64 percent of ENLC and 25 percent of ENLK. Mr. Richels is a director of BOK Financial Corporation and serves on the audit committee. He is also a director of TransCanada Corporation and serves on the compensation committee and the health, safety and environmental committee.

Mr. Richels is a member of the executive committee and board of directors of the Greater Oklahoma City Chamber of Commerce and serves on the board of trustees of Oklahoma City University. He is also a director of the Independent Petroleum Association of America and is a member of the University of Oklahoma s International Programs Center s Board of Visitors.

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Board of Directors Information

Our Board of Directors met seven times in 2015. All Directors attended 100% of the total meetings of the Board of Directors and the respective Committees on which they served with the exception of John A. Hill, who attended 75% of the total meetings of the Board of Directors and the Committee on which he served prior to his retirement in June 2015.

The Board expects our Directors to be in attendance at our Annual Meetings of Stockholders. All Directors attended the 2015 Annual Meeting.

Copies of the following governance documents are available at www.devonenergy.com and in print to any stockholder upon request:

- Certificate of Incorporation;
- Bylaws;
- Corporate Governance Guidelines;
- Code of Business Conduct and Ethics;
- Code of Ethics for Chief Executive Officer (CEO), Chief Financial Officer (CFO) and Chief Accounting Officer (CAO); and
- Anti-Corruption Policy and Procedure.

Amendments to and waivers from any provision of the Code of Ethics for the CEO, CFO, and CAO will be posted on our website.

Our website also includes our Corporate Social Responsibility Report and information on our environmental and safety initiatives.

Practices for Considering Diversity

The Charter of the Governance Committee provides that the Committee shall periodically review the appropriate skills and characteristics of members of the Board of Directors in the context of the then-current composition of the Board. This assessment includes the following factors: diversity (including diversity of skills, background and experience); business and professional background; financial literacy and expertise; availability and commitment; independence; and other criteria that the Governance Committee or the full Board finds relevant. It is the practice of the Governance Committee to consider these factors when screening and evaluating candidates for nomination to the Board of Directors.

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Committees

The Board of Directors has four standing Committees: Audit, Compensation, Governance and Reserves. The Charters for these Committees are available on the Company s website www.devonenergy.com. The following table shows each Committee s current membership, function and the number of meetings each Committee held in 2015:

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[1] Chairman

[2] Audit Committee financial expert

Director Independence

The Company s Corporate Governance Guidelines provide that an independent director is a director who meets the NYSE definition of independence, as determined by the Board. In making this determination, the Board considers transactions and relationships between each Director or any member of the Director s immediate family and the Company, our subsidiaries and affiliates. The Board has affirmatively determined that each of the current Directors and each person who served as a Director during 2015, with the exception of our Executive Chairman, J. Larry Nichols, and Vice Chairman, John Richels, was or is an independent Director as defined by the standards for director independence established by applicable laws, rules, and listing standards, including, without limitation, the standards for independent directors established by the NYSE and the SEC, has or had no material relationship with us that would interfere with the exercise of independent judgment and, therefore, is or was independent under our Corporate Governance Guidelines and the standards established by the NYSE.

In evaluating the independence of Mr. Robert H. Henry, the Board has considered the charitable contributions made by Devon to Oklahoma City University (OCU) in recent years. While these charitable contributions do not affect Mr. Henry s independence status, disclosure of the contributions are provided herein. Consistent with the Company s practice of making contributions to other major universities in Oklahoma, in 2013, 2014 and 2015, the Company made charitable contributions to OCU of $625,750, $613,500 and $508,500, respectively.

Lead Director

The Board has a Lead Director whose primary responsibility is to preside over the executive session of the Board meetings in which members of management do not participate. The Lead Director also performs other duties that the Board may from time to time delegate to assist the Board in the fulfillment of its responsibilities. In 2015, the Lead Director presided over four executive sessions of the Board.

John A. Hill served as Lead Director until his retirement from the Board in June 2015. Robert A. Mosbacher, Jr. has served as Lead Director since June 2015.

Board Involvement in Risk Oversight

The full Board has primary responsibility for risk oversight, with the Board s standing committees supporting the Board by addressing the risks inherent in their respective areas of oversight. The Audit, Governance, Compensation and Reserves Committees have been delegated certain risk oversight responsibilities.

Leadership Structure

As stated in the Company s Corporate Governance Guidelines, the Board reserves the right to determine, from time to time, how to configure the leadership of the Board and the Company in the way that best serves the Company. The Board specifically reserves the right to vest the responsibilities of Chairman of the Board and CEO in the same or in different individuals. The Board currently has no fixed policy with respect to combining or separating the positions of Chairman of the Board and CEO.

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J. Larry Nichols, Executive Chairman of the Board, will retire from the Board following the 2016 Annual Meeting, at which time John Richels will be appointed Chairman of the Board. David Hager, serves as President and CEO. The current structure fosters consensus building and tactical execution of a Board-approved vision and strategy at the top levels of the Company, which we believe promotes long-term stockholder value. The Board believes this structure is in the Company s best interest at the present time; however, the Board may utilize a different structure in the future should circumstances change.

The Company s Corporate Governance Guidelines provide that, at any time the CEO holds the position of Chairman of the Board, the Board shall appoint an independent Director to serve as the Lead Director. These positions are currently held by different individuals; however, the Chairman is not independent and, as mentioned above, Robert A. Mosbacher, Jr. currently serves as Lead Director.

Stockholder Engagement

We conduct ongoing governance reviews and investor outreach throughout the year to ensure that management and the Board understand the issues that matter most to our stockholders and address them effectively. At the Company s 2015 Annual Meeting, stockholders voted to approve a proposal to allow stockholders the right to nominate directors on the Company s proxy materials, known as proxy access. During 2015 we reached out to holders of approximately 43 percent of Devon s outstanding shares, including the proponent of the proxy access proposal, and discussed implementation of the proposal as well as some of the detailed provisions that were not contemplated by the proposal, to determine what type of provisions would be in the best interest of the Company and its stockholders. After considering the feedback we received from stockholders on these provisions, and after discussions with the proponent of the proxy access proposal about being responsive to the intent of the proposal, the Board amended and restated the Company s Bylaws in January 2016 to implement proxy access rights which allow a group of up to 20 stockholders holding three percent or more of the Company s outstanding common stock continuously for at least three years to nominate and include in the Company s proxy materials director candidates constituting up to the greater of two individuals or 20% of the Board.

In addition to discussions with our stockholders about proxy access during 2015, we also engaged in discussions with stockholders about executive compensation and important environmental, social and governance issues.

Director Contact Information

Any stockholder or other interested party may contact any of our Non-Management Directors, including the Lead Director or Non-Management Directors as a group, by:

- U.S. mail to the Lead Director or to Non-Management Directors, c/o Office of the Corporate Secretary, Devon Energy Corporation, 333 W. Sheridan Avenue, Oklahoma City, Oklahoma 73102;

- calling our Non-Management Directors access line at (866) 888-6179; or

- sending an email to nonmanagement.directors@dvn.com.

A Management Director may be contacted by:

- U.S. mail to Management Directors, c/o Office of the Corporate Secretary, Devon Energy Corporation, 333 W. Sheridan Avenue, Oklahoma City, Oklahoma 73102;

- contacting the Office of the Corporate Secretary at (405) 235-3611; or sending an email to CorporateSecretary@dvn.com.

All calls or correspondence are anonymous and kept confidential to the extent possible. All such communications, other than advertisements or commercial solicitations, will be forwarded to the appropriate Director(s) for review.

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Compensation Committee Interlocks and Insider Participation

During 2015, the Compensation Committee was comprised of three independent Directors with no interlocking relationships as defined by the SEC.

Related Party Transactions

The Company maintains a policy concerning related person transactions as defined by the SEC. Related persons include the Company s directors and executive officers and their immediate family members and beneficial owners of more than five percent of the Company s common stock.

The Board s Audit Committee considers information about transactions involving related persons. If the transaction at issue involves a member of the Audit Committee, or a family member of a member, then that member of the Committee would not participate in discussions. In the event the Committee concludes that a related person has a material interest in any Company transaction, the Committee then reviews the transaction to determine whether to approve or ratify it. Any transaction that meets the monetary threshold under the SEC rules and is determined to have a direct or indirect material benefit to a related party would be disclosed in accordance with SEC rules.

Mr. Nichols son-in-law is employed by the Company as an attorney. His total 2015 taxable compensation, including salary, bonus and stock grants was approximately $348,000, which was commensurate with the compensation provided to similarly situated employees of the Company. Mr. Nichols was not involved in the evaluation of his son-in-law s performance and his son-in-law s compensation was determined in accordance with the Company s standard human resources policies and procedures.

The son of Tony D. Vaughn, Chief Operating Officer, is employed by the Company as a manager in supply chain. His total 2015 taxable compensation, including salary, bonus and stock grants was approximately $148,000, which was commensurate with the compensation provided to similarly situated employees of the Company. Mr. Vaughn was not involved in the evaluation of his son s performance and his son s compensation was determined in accordance with the Company s standard human resources policies and procedures.

Director Compensation for the Year Ended December 31, 2015

Under our Corporate Governance Guidelines, Non-Management Director compensation is determined annually by the Board of Directors acting upon the recommendation of the Governance Committee. Devon employees receive no additional compensation for serving as directors. Mr. Richels retired as President and Chief Executive Officer of the Company on July 31, 2015, and as such he is included as a Named Executive Officer for the year ended December 31, 2015, as described on page 32. He continues to serve as Vice Chairman of the Board of Directors, and his compensation in relation to this role is reflected in the Summary Compensation Table on page 54. The following table shows compensation for the following Non-Management Directors for 2015:

Name	Fees Earned or Paid in Cash ($)	Stock Awards[1] ($)	Option Awards[2] ($)	All Other Compensation[3]	Total ($)
Barbara M. Baumann	106,000	230,063			336,063
John E. Bethancourt	107,000	230,063			337,063
Robert H. Henry	105,000	230,063			335,063
John A. Hill	66,000	0			66,000
Michael M. Kanovsky	115,000	230,063			345,063
Robert A. Mosbacher, Jr.	131,500	230,063			361,563
J. Larry Nichols	281,000	630,025		37,319	948,344
Duane C. Radtke	105,500	230,063			335,563
Mary P. Ricciardello	129,000	230,063			359,063

[1] The dollar amounts reported in this column represent the grant date fair values of the stock awards made to all Non-Management Directors on June 5, 2015, computed in accordance with FASB ASC Topic 718. The assumptions used to value

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stock awards are discussed in *Note 4 Share-Based Compensation* of the Notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2015. As of December 31, 2015, our Non-Management Directors held the following unvested stock awards: Ms. Baumann 3,606; Mr. Bethancourt 3,606; Mr. Henry 4,106; Mr. Hill 0; Mr. Kanovsky 4,106; Mr. Mosbacher 4,106; Mr. Nichols 9,875; Mr. Radtke 4,106; and Ms. Ricciardello 4,106 Mr. Richels did not receive stock awards as part of his director compensation in 2015.

2 No option awards were made to Non-Management Directors in 2015. As of December 31, 2015, our Non-Management Directors held the following outstanding and unexercised option awards: Mr. Henry 9,000; Mr. Kanovsky 15,000; Mr. Mosbacher 12,000; Mr. Nichols 636,100; Mr. Radtke 9,000; Ms. Ricciardello 15,000; and Mr. Richels 578,475.

3 The dollar amount reported represents the aggregate incremental cost to the Company for personal use of aircraft. The aggregate incremental cost to the Company for personal use of our aircraft is calculated based on our average variable operating costs. Variable operating costs include fuel, engine reserves, maintenance, weather-monitoring, on-board catering, landing/ramp fees and other miscellaneous variable costs. The total annual variable costs are divided by the annual number of hours our aircraft flew to determine an average variable cost per hour. This average variable cost per hour is then multiplied by the hours flown for personal use to determine the incremental cost. The methodology excludes fixed costs that do not change based on usage, such as pilots and other employees salaries, purchase costs of the aircraft and non-trip related hangar expenses.

Annual Retainer and Meeting Fees

The following is a schedule of annual retainers and meeting fees for Non-Management Directors in effect during 2015:

Type of Fee	Amount
Annual Retainer to Executive Chairman of the Board	$ 270,000
Annual Board Retainer to Non-Chairman Directors	$ 70,000
Additional Annual Retainer to Chairman of Audit Committee	$ 25,000
Additional Annual Retainer to the Chairmen of Compensation, Governance and Reserves Committees	$ 15,000
Additional Annual Retainer for Lead Director	$ 25,000
Additional Annual Retainer to Audit Committee Members	$ 2,000
Fee for each Board or Committee Meeting attended in person	$ 2,000
Fee for each Board or Committee Meeting attended via telephone	$ 1,000

Each Non-Management Director is reimbursed for out-of-pocket expenses incurred while serving as a Director.

Equity Awards to Directors

The Board elects to compensate Directors through restricted stock awards (RSAs) in order to align the Directors and stockholders interests in the long-term performance of the Company. As reflected in the Director Compensation table above, on June 5, 2015 our Executive Chairman was granted a RSA valued at approximately $630,000, and our other Non-Management Directors as of that date were granted RSAs valued at approximately $230,000. Stock awards to Non-Management Directors are generally granted immediately following each Annual Meeting; in 2015, grants were made under the Company s 2015 Long-Term Incentive Plan (2015 LTIP) that was approved at the 2015 annual meeting. Shares under each RSA will fully vest on the first anniversary of the grant date subject to the Director s continued service to the Company. Unvested shares are entitled to cash dividends at the same times and in the same amounts as other shares of our outstanding common stock.

Changes to Director Compensation

At its meeting in March 2016, the Board of Directors discussed the prospective director equity awards for 2016 in light of the downturn in the oil and gas industry, the decrease in the Company s stock price in 2015 and early 2016, and the reduced level of Long-Term Incentive Awards granted to management in March 2016. Based on those discussions, the Board of Directors voted to reduce the director equity awards to be awarded in June 2016 to an amount that is 33% lower than the prior year s grant. In addition to furthering an alignment between director pay and management compensation, the Board noted that lowering the value of awards will preserve a greater number of shares available under the 2015 LTIP.

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The Governance Committee is currently comprised of five independent Directors and operates under a written Charter approved by the Board of Directors. The Governance Committee Charter may be viewed at www.devonenergy.com.

The Governance Committee is responsible for nominating qualified candidates to serve on the Board of Directors and reviewing their qualifications with the Board, taking into account the composition and skills of the entire Board and specifically ensuring a sufficient number of the members of the Board are financially literate. The Governance Committee considers nominees recommended by stockholders and gives appropriate consideration in the same manner as given to other nominees. Stockholders who wish to submit recommendations for director nominees for election at our 2017 Annual Meeting of Stockholders may do so by submitting such nominee s name in writing, in compliance with the procedures required by our Bylaws, to the Governance Committee of the Board of Directors, Attention: Chairman, c/o Office of the Corporate Secretary, Devon Energy Corporation, 333 W. Sheridan Avenue, Oklahoma City, Oklahoma 73102. Such a recommendation must be received between February 8, 2017 and March 10, 2017 in order to be considered a timely notice. The stockholder s notice must contain:

- all information that is required to be disclosed with respect to such person being nominated pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended, including such person s written consent to being named in the Proxy Statement as a nominee and to serving as a Director, if elected;
- the name and address of the stockholder giving the notice and the beneficial owner;
- the class and number of shares of our stock that are owned beneficially and of record by the stockholder giving the notice and the beneficial owner;
- whether and the extent to which any hedging or other transaction or series of transactions has been entered into by or on behalf of the stockholder or beneficial owner;
- a description of all arrangements or understandings between the stockholder giving the notice and any other person or persons (including their names) in connection with the nomination;
- a representation that the stockholder intends to appear in person or by proxy at the 2017 Annual Meeting to bring such business before the meeting; and
- an undertaking by the stockholder giving the notice to update the information required to be included in the notice.

The Board takes reasonable steps to ensure that a diverse group of qualified candidates are in the pool from which the nominees for the Board are chosen. The Governance Committee may, at its discretion, seek third-party resources to assist in the process and make final director candidate recommendations to the Board. The Board considered the experience, qualifications, attributes and skills of each of the nominees for Director at the 2016 Annual Meeting. As identified in our Corporate Governance Guidelines, the basic qualifications that the Governance Committee looks for in a Director include such factors as:

- integrity and accountability;
- informed judgment;

peer respect; and

high performance standards.

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Following a Director s election to the Board, the Corporate Governance Guidelines provide for:

- mandatory retirement at the Annual Meeting immediately following the 73rd birthday of a Director;
- ownership of Devon common stock equal to five times the Director s annual retainer to be reached by the end of a five year period after their election along with a holding requirement for those who have yet to meet the ownership requirement;
- a recommendation that a Director not serve on more than five public company boards in addition to serving on the Company s Board;
- majority voting, which requires a nominee for Director in an uncontested election to submit an offer of resignation to the Governance Committee within 90 days of the date of the election if the nominee receives a greater number of withheld votes than for votes. The Governance Committee will then consider all of the relevant facts and circumstances and recommend to the full Board the action to be taken with respect to the offer to resign;
- approval of the Governance Committee to serve as a director, officer or employee of a competitor of the Company; and
- notification to the Chairman of the Board and Chairman of the Governance Committee upon the acceptance of a directorship of any other public, private or non-profit company or any assignment to the audit or compensation committees of the board of any public, private or non-profit company.

The Governance Committee also plays a leadership role in shaping the Company s corporate governance. It periodically reviews the Company s corporate governance practices along with best practices followed by other companies to maintain a corporate governance framework for the Company that is effective and functional and that addresses the interests of the Company s stakeholders. The corporate governance standards that have been approved by the Board are reflected in:

- the Corporate Governance Guidelines;
- the Charters for each of the Board s Committees;
- the Code of Business Conduct and Ethics for all Directors, officers and employees; and
- the Code of Ethics for the CEO, CFO and CAO.

The standards reflected in these documents implement and strengthen the Company s corporate governance practices. These documents, and others related to corporate governance, are available at www.devonenergy.com.

With the Company s fundamental corporate governance practices firmly in place and regularly evaluated, the Governance Committee is prepared to respond quickly to new regulatory requirements and emerging best practices. The Governance Committee intends to continue to require an annual evaluation of the effectiveness of the Board and its Committees to enable the Company to maintain corporate governance best practices.

Robert A. Mosbacher, Jr., Chairman

Barbara M. Baumann

John E. Bethancourt

Robert H. Henry

Mary P. Ricciardello

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The Audit Committee is currently comprised of four independent Directors. The Board and the Audit Committee believe that the Audit Committee s current membership satisfies the rules of the NYSE and the SEC that govern audit committee composition, including the requirement that audit committee members all be independent directors, as that term is defined under the listing standards of the NYSE, and the requirement that at least one member of the Audit Committee is a financial expert. Mary P. Ricciardello currently serves on the audit committees of more than three public companies. However, Devon owns an interest in two of those companies, ENLC and ENLK. For purposes of complying with the listing standards of the NYSE, the Board has determined that Ms. Ricciardello s simultaneous service on the audit committees of more than three public companies does not impair her ability to effectively serve on the Company s Audit Committee. The Audit Committee operates under a written charter approved by the Board of Directors. The Audit Committee Charter is available at www.devonenergy.com.

The Audit Committee oversees the Company s financial reporting process on behalf of the Board of Directors. Management has the primary responsibility for the preparation of the financial statements and the establishment and maintenance of the system of internal controls. This system is designed to provide reasonable assurance regarding the achievement of objectives in the areas of reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations. In fulfilling its oversight responsibilities, the Audit Committee reviewed with management its internal controls over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board and the audited financial statements in the Annual Report. This review included a discussion of the quality and the acceptability of the accounting principles, the reasonableness of significant judgments, and the clarity of disclosures in the financial statements.

In fulfilling its duties during 2015, the Audit Committee:

- reviewed with the independent auditors their opinion on the conformity of the Company s audited financial statements with U.S. generally accepted accounting principles and the effective operation of the Company s internal controls over financial reporting;

- reviewed with the independent auditors their judgment as to the quality and the acceptability of the Company s accounting principles and other matters;

- discussed with the independent auditors other matters under generally accepted auditing standards, including Statement on Auditing Standards No. 114, the Auditor s Communication with those charged with governance;

- discussed with the independent auditors the auditors independence, including the matters in the written disclosures and the letter received from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditors communications with the Audit Committee concerning independence;

- discussed with the independent auditors the overall scope and plans for their audit; and

- met with the independent auditors, with and without management present, to discuss the results of their audit and the overall quality of the Company s financial reporting.

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Fees to Independent Auditor

Under the terms of its Charter, the Audit Committee has the responsibility to approve the fees paid to the independent auditors. For the years ended December 31, 2015 and December 31, 2014, the following fees were paid to KPMG LLP:

	2015	2014
Audit fees	$ 3,351,000	$ 3,535,000
Audit related fees	556,000	446,000
Tax fees	68,000	85,000
All other fees		
	$ 3,975,000	$ 4,066,000

Audit fees included services for the audits of the Company s financial statements and the effective operation of its internal controls over financial reporting. KPMG LLP also serves as the independent auditors for EnLink Midstream, LLC and EnLink Midstream Partners, LP (collectively, EnLink). Fees for the audits of EnLink s consolidated financial statements for 2015 were $2,340,000 which are not included in the table above.

Audit-related fees consisted principally of fees for audits of financial statements of certain of the Company s affiliates and subsidiaries. Audit-related fees for EnLink for 2015 were zero.

Tax fees consisted of tax compliance and tax consulting fees.

Audit Committee Pre-Approval Policies and Procedures

The Audit Committee has pre-approval policies and procedures related to the provision of audit and non-audit services. Under these procedures, the Audit Committee pre-approves both the type of services to be provided by KPMG LLP and the estimated fees related to these services. During the approval process, the Audit Committee considers the impact of the types of services and the related fees on the independence of the auditors. The services and fees must be deemed compatible with the maintenance of the auditors independence, including compliance with SEC rules and regulations.

All of the 2015 and 2014 audit and non-audit services provided by KPMG LLP were approved by the Audit Committee. The non-audit services that were approved by the Audit Committee were also reviewed to ensure compatibility with maintaining the auditors independence, and the Audit Committee determined the auditors independence was not impaired.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board, and the Board has approved, that the audited financial statements be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2015 that has been filed with the SEC.

Mary P. Ricciardello, Chairperson

Barbara M. Baumann

Robert H. Henry

Michael M. Kanovsky

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The Reserves Committee is currently comprised of three independent Directors and operates under a charter approved by the Board of Directors. The Reserves Committee Charter is available at www.devonenergy.com. The Reserves Committee oversees, on behalf of the Board, the integrity of the Company s oil, bitumen, natural gas and natural gas liquids reserves data. Management and our independent engineering consultants have the primary responsibility for the preparation of the reserves reports. In fulfilling its oversight responsibilities, the Reserves Committee reviewed with management the internal procedures relating to the disclosure of reserves in the Company s Annual Report on Form 10-K for the year ended December 31, 2015, having regard to industry practices and all applicable laws and regulations. In fulfilling its duties during 2015, the Reserves Committee:

- approved Deloitte LLP and LaRoche Petroleum Consultants, Ltd. as the Company s independent engineering consultants for the year ended December 31, 2015;
- reviewed with the independent engineering consultants the scope of the annual review of the Company s reserves;
- met with the independent engineering consultants, with and without management, to review and consider the evaluation of the reserves and any other matters of concern with respect to the evaluation of the reserves;
- reviewed and approved any statement of reserves data or similar reserves information, and any report of the independent engineering consultants regarding such reserves to be filed with any securities regulatory authorities or to be disseminated to the public;
- reviewed the internal procedures relating to the disclosure of reserves; and
- reviewed the qualifications and independence of the independent engineering consultants prior to their appointment and throughout their engagement.

In reliance on the reviews and discussions referred to above, the Reserves Committee recommended to the Board, and the Board has approved, that the reserves information be included in the Company s Annual Report on Form 10-K for the year ended December 31, 2015 that has been filed with the SEC.

Michael M. Kanovsky, Chairman

John E. Bethancourt

Duane C. Radtke

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In accordance with Section 14A of the Securities Exchange Act of 1934, we are asking our stockholders to vote to approve, on an advisory basis, the compensation of our named executive officers as disclosed in this Proxy Statement. At the 2011 Annual Meeting, you approved our proposal to provide you with this opportunity on an annual basis. This vote is not intended to address any specific item of compensation, but rather our overall compensation policies and practices relating to our named executive officers as disclosed in our Compensation Discussion and Analysis, the Summary Compensation Table, and other related tables and narrative disclosure. Accordingly, we will ask our stockholders to vote FOR the following resolution at the 2016 Annual Meeting:

RESOLVED, that the Company s stockholders approve, on an advisory basis, the compensation of the named executive officers, as disclosed in the Company s Proxy Statement for the 2016 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2015 Summary Compensation Table and the other related tables and narrative disclosure.

This vote, normally called a say-on-pay vote, is advisory, and therefore not binding on the Company, the Compensation Committee, or the Board. The Board will, however, as it has in prior years, take into account the outcome of the vote when considering future compensation arrangements.

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Introduction

Purpose of Compensation Discussion and Analysis

This Compensation Discussion and Analysis (CD&A) outlines our compensation philosophy and describes the material components of our executive compensation practices and programs for our named executive officers. This CD&A also summarizes decisions the Compensation Committee of the Board of Directors (the Committee) made under these programs and the factors considered in making those decisions. In particular, this CD&A focuses on the decisions the Committee made at its meetings in January and March 2016 at which the Committee evaluated the Company s performance as well as each executive officer s performance in 2015, including the performance of the business or organizational unit for which the officer was responsible. Additional information about the compensation of our named executive officers is provided in the 2015 Summary Compensation Table (SCT) and other compensation tables that follow this CD&A.

Named Executive Officers

Our named executive officers for 2015 are the following individuals:

Executive	Position
David A. Hager	President and Chief Executive Officer
Thomas L. Mitchell	Executive Vice President and Chief Financial Officer
Tony D. Vaughn	Chief Operating Officer
Darryl G. Smette	Executive Vice President, Marketing, Facilities, Pipelines and Supply Chain
Lyndon C. Taylor	Executive Vice President and General Counsel
John Richels	Vice Chairman of the Board of Directors, former President and Chief Executive Officer

The compensation objectives, practices and programs discussed in this CD&A apply to the named executive officers as well as the two Executive Vice Presidents of the Company who were not named executive officers in 2015. In this CD&A, we may refer to this group as executive officers. In July 2015 Mr. Richels retired as an employee of the Company pursuant to the Company s succession plan. He continues to serve as non-employee Vice Chairman of the Board of Directors, and they have announced their intent to elect him Chairman upon the board retirement of J. Larry Nichols in June 2016. Although Mr. Richels was not an employee of the Company at the end of 2015, SEC rules require us to include him as a named executive officer in this CD&A.

Executive Summary

2015 Company Performance and Pay Alignment

Since 2010, the Company has successfully transitioned to a liquids-rich (oil and natural gas liquids), higher-margin, onshore North American production base. During this period, the Company also transformed its organizational structures and processes in order to reinforce certain key drivers for the Company s success. This transformation has generally allowed the Company to post strong operational results over the past two years. However, the prolonged weakness in commodity prices experienced during 2015 presented extraordinary challenges for many metrics utilized in assessing Company performance. Beginning in 2015 and accelerating into 2016, the Company took significant steps to reduce capital investments, curtail other non-core operations and re-align its overall cost structure.

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For 2015, the Company met or exceeded most targets for financial and operational goals. As reflected in the Company scorecard below, however, Devon s full year total stockholder return (TSR) underperformed that of many peer companies in 2015. The following performance highlights provide context for the Committee s considerations with respect to executive compensation:

Operational and financial achievements

- Devon s oil and overall production in 2015 exceeded the top end of the guidance range issued by the Company on February 17, 2015, with production reaching approximately 275,000 bbls per day of oil and 680,000 barrels of oil equivalent (BOE) per day, 7.8% and 4.6%, respectively, above the mid-range of the Company s guidance;

- Oil production in the fourth quarter of 2015 increased by 16% as compared to the same quarter in 2014;

- Devon s oil and natural gas hedging program allowed the Company to lock in advantageous prices for the Company s production in 2015 that led to approximately $2.4 billion in revenues attributable to cash settlements on hedges;

- the Company continued to maintain a strong liquidity position, with approximately $2.3 billion in cash and $2.4 billion in capacity on its senior credit facility at year end;

- Devon was able to successfully maintain capital expenditures below the goal established at the beginning of the year; and

- the Company dramatically reduced lease operating and general and administrative expenses, which resulted in greater operational efficiency for the year.

Asset portfolio enhancements

- Devon acquired significant acreage positions in two of the most promising oil plays in North America with purchases in Oklahoma s Anadarko Basin STACK play and Wyoming s Powder River Basin; and

- Devon announced plans to monetize certain assets, including its interest in the Access Pipeline in Canada and various non-core upstream assets.

Total Stockholder Return

- During 2015, Devon s stock price reached an intra-year high price of $70.48, which was approximately 15% above 2014 s closing price; and

- Devon s relative TSR was consistently in the top quarter of the peer group for the first half of the year before finishing the full year in 11th position in the Company s 15 member peer group.

The table set forth below provides additional detail on the Company s performance in 2015. The metrics in the table are not only critical to the Company s near-term performance but also to its prospects for sustainable growth and long-term value creation for the Company and its stockholders. The Committee evaluated the Company s performance on these metrics in connection with awarding performance cash bonuses for 2015.

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As reflected in the table, the Committee assigns a separate weighting to each performance measure in order to reflect the relative importance of those areas for the year in light of our philosophy for performance cash bonuses. During its meeting in January 2015, the Committee assigned a performance score of between 0% to 200% for each performance measure, with a score of 100% indicating performance that meets expectations or goals. The Committee aggregates the weighted performance score for each of the measures to arrive at an overall Company performance score. For operational and financial goals, the Committee generally views a 30% or greater shortfall from a goal as the threshold at which a score of no more than 25% may be assigned for the goal, and a 30% or greater outperformance on a goal as maximizing performance such that a score of 200% would likely be assigned for the goal.

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Company Performance Scorecard

Measure	Goal	Outcome	Weight	Score	Weighted Score
Oil and Gas Production	236.4 million BOE	248.2 million BOE	15%	150%	22.50%
Total Stockholder Return[1]	Top half of the peer group on a 1-year basis	1-year TSR ranked 11th out of 15 member peer group	15%	50%	7.50%
Pre-Tax Cash Margin per BOE, normalized[2]	$14.09 per BOE	$15.70 per BOE	15%	150%	22.50%
Oil and Gas Reserves Additions	140.4 million BOE added	No additions[3]	15%	0%	0%
Improve the Overall Value of Devon Risked Resource Portfolio	Achieve successes in acquisitions and divestitures, exploration, appraisal of prospects and technical areas	Progressed to commerciality a portion of the risked resource equal to 75% of 2015 production; evaluated 93% of overall amount of sub-commercial resource; evaluated material additions equivalent to 25% of total Devon risked resource	10%	125%	12.50%
Environmental, Health and Safety[4]	Continuous improvement on various measures	Improved SIF rate, recordable incident rate, SIF vehicle rate, compliance to protocols	10%	100%	10.00%
Total Capital Expenditures	$4.746 billion	$4.465 billion	5%	125%	6.25%
Lease Operating Expenses per BOE	$9.80 per BOE	$8.48 per BOE	5%	150%	7.50%
Learning and People	Hold health care cost inflation below the national average; hold voluntary employee turnover below industry average	Held both measures below the designated benchmarks in 2015	5%	125%	6.25%
Improve Business Environment	Increase stakeholder alignment to improve public policy and business operating environment for Devon	Engaged legislators and associations on such items as local ordinances, intangible drilling tax credits, and the United States crude oil export ban	5%	100%	5.0%
2015 Company Performance Score					**100%**

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[1] For TSR, the Company is ranked with the 14 peer companies listed under Use of Peer Groups on page 49.

[2] Normalized to control for the effect of currency exchange rates and commodity price fluctuations so that the measure provides an accurate picture of the Company s operational efficiency.

[3] Under the SEC s five-year rule, Devon and other E&P companies must remove booked reserves that are not expected to be developed in the next five years. Compliance with this rule and refinements in the Company s reserves methodology which instituted a reduced recovery factor for certain assets combined to cause a downward revision in reserves. A higher commodity pricing environment in the future may allow reserves removed in 2015 to be added back to the Company s reported reserves.

[4] Environmental, Health and Safety measures consisted of employee recordable incident rate, contractor recordable incident rate, preventable vehicle incident rate, spill rate, and lost spill rate. The SIF rate records serious incidents or fatalities.

The Company s 2015 performance score is a reflection that the Company performed well on many operational measures but also recorded disappointing results on important measures such as TSR and reserves additions. In the process of evaluating Company performance through the Scorecard, the Committee determined that the weightings assigned to certain measures, in particular the weighting of TSR, resulted in an overall score that failed to reflect the totality of performance for the year. For this reason, the Committee adjusted bonuses downward from 100% to 90% of target.

At its March 2016 meeting, the Committee granted long-term incentives (LTI) to named executive officers in the form of performance restricted stock and performance share units. In determining the value of LTI to grant, the Committee considered factors such as Company performance, competitive market data provided by its compensation consultant, the number shares available for grant under the Company s stockholder-approved LTI plan and the grant value of previous awards. The Committee also took into account a recommendation made by the Company s executive officers that the value of their grants be decreased as compared to prior years in light of the Company s negative TSR in 2015 and the challenges facing the oil and gas industry. While the Committee believed the LTI values granted in the prior year were competitive with the awards of similarly situated executives at peer companies, the Committee decided to accept the recommendation and grant LTI at lower values. Executive officers in the same position as the prior year received LTI valued at 33% less than the prior year, and executive officers with increased job duties and responsibilities as compared to the prior year received LTI valued at 33% less than benchmarks. The Committee determined that this outcome would appropriately reflect the factors cited by the executive officers in their recommendation, including a greater alignment between executive officers and stockholders.

Compensation Philosophy and Objectives

Our goal is to be the premier independent oil and natural gas company in North America and to provide our stockholders with top-tier returns over the long-term. To achieve this, we strive to optimize our capital investments to maximize growth in cash flow, earnings, production and reserves. Performance on these measures, particularly cash flow, has a high correlation to changes in share price over the medium and long-term. To excel on these measures, the Company must exercise capital discipline, maintain a strong balance sheet, invest in oil and gas properties with strong full-cycle returns, balance our production and resource mix between oil, natural gas liquids and natural gas, maintain a low overall cost structure and establish an appropriate balance between resource capture and resource development.

This operating strategy requires a compensation philosophy that recognizes near-term operational and financial success as well as decision-making that supports long-term value creation. For these reasons, the Company s executive compensation program is designed to strike a balance between the near-term and the long-term by providing executive officers annual performance cash bonuses and LTI awards tied to prospective Company performance. Properly allocating these compensation elements is critical in motivating executive officers to carry out our operating strategy. Overall, the value of an executive officer s total compensation is weighted in favor of long-term incentives in order to focus the officer s efforts on the long-term performance of the Company and to encourage the executive to remain at the Company.

The objectives of our compensation program are to:

- attract and retain highly trained, experienced, and committed executives who have the skills, education, business acumen, and background to lead a large and diversified oil and gas business;
- motivate and reward executives to drive and achieve our goal of increasing stockholder value;
- provide balanced incentives for the achievement of near-term and long-term objectives, without motivating executives to take excessive risk; and
- track and respond to developments, such as changes in competitive pay practices.

The primary components of our executive compensation program consist of base salary, an annual performance cash bonus and long-term equity incentive awards. We generally target each component, as well as the aggregate of the components, at approximately the 50^{th} percentile of comparables within a group of peer companies in our industry. Individual compensation levels may vary from these targets based on performance, expertise, experience or other factors unique to the individual or the Company. We also provide retirement and other benefits typical for our peer group.

The Committee emphasizes TSR performance in the executive compensation programs in order to make realizable pay highly dependent on TSR performance over the short and medium-term periods. When Devon s TSR underperforms, the structure of Devon s compensation programs will result in named executive officers generally receiving below-target bonuses and lower-than-average overall compensation compared to executives in similar positions at peer companies because TSR is an important measure for performance cash bonuses and the sole determinant of performance share unit payouts. The converse is true as well: When Devon s TSR outperforms that of its peers, named executive officers are likely to receive above-target pay and higher-than-average overall compensation compared to executives in similar positions at peer companies. Please see page 47 for a further discussion of realizable pay.

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What Devon Does and Doesn t Do

Good Compensation Governance Practiced by Devon

Award Performance-Based LTI Since December 2011, the Company has delivered LTI in the form of performance share units tied to TSR (50%) and performance restricted stock tied to financial and operating metrics (50%). No stock options have been awarded over this period. Goals for LTI are transparent, including disclosure in this CD&A of the metrics used. Target performance on performance share units requires TSR that is above the peer group median.

Utilize a Quantitative Process for Performance Cash Bonuses In determining bonuses, the Committee assigns a score to the Company s performance on goals set at the beginning of the year. The Committee then calculates a weighted score that determines the amount of any bonuses.

Tie Realizable Pay Opportunities to Company Performance The Committee regularly reviews the realizable pay of the President and CEO and other executive officers in light of Company performance. This has resulted in pay that tracks Company performance.

Require Executives to Hold Devon Stock Board-adopted guidelines establish robust minimum stock ownership levels for our executive officers.

Provide for Clawback of Compensation Pursuant to a Board-adopted policy, the Committee may clawback performance cash bonuses and LTI if the Company is required to restate its financial statements.

Interview Executives On an annual basis, the Committee conducts in-depth, confidential, one-on-one interviews with each executive officer, which is a unique and highly effective tool in the Committee s oversight of executive compensation programs.

Controversial Compensation Governance Not Practiced by Devon

x **Enter into Egregious Employment Agreements** The Company does not enter into contracts containing multi-year guarantees for salary increases or non-performance based bonuses or equity compensation.

x **Provide Tax Gross-Ups** Employment agreements do not obligate the Company to make tax gross-up payments in the event of a change in control of the Company.

x **Allow Excessive Severance Benefits and/or Liberal Change-in-Control Payments** Employment agreements do not require cash payments exceeding three times base salary plus target/average/last paid bonus; do not contain liberal change-in-control definitions; do not provide severance payments without job loss (i.e., no single trigger cash severance or equity vesting with a change in control).

x **Allow Speculation on Our Company s Stock** Company policy prohibits our executives from engaging in short-term or speculative transactions involving our common stock.

x **Reprice or Replace Underwater Options** The Company does not reprice or replace underwater stock options.

x **Permit Abusive Perquisites Practices** Perquisites made available to our executives are limited.

Response to Stockholder Feedback

We conduct investor outreach throughout the year to ensure that management and the Board understand the issues that matter most to our stockholders. The Committee continually evaluates the Company s executive compensation programs and monitors stockholder sentiments. As in prior

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years, Company management engaged in discussions with many stockholders on a variety of topics during 2015, including executive compensation and its tie to Company performance. Those discussions did not reveal any current compensation practices that warranted action by the Committee. However, as evidenced by the changes the Committee has adopted over the previous four years, the Committee will continue to monitor feedback and take action when appropriate.

Highlights of executive compensation program changes over the past few years include the following:

Source for Detail	Change in Compensation Practice
2015 Proxy Statement	LTI grants after 2014 will not vest in the case of a change in control unless a job loss follows or the acquiring company is not listed on a national securities exchange (i.e., no single trigger equity vesting with a change in control). The Committee expects to continue this practice in future years. Stock ownership guidelines for the Company s President and CEO were increased from five to six times salary. Stock ownership guidelines oblige executive officers to hold at least one-half of shares received from awards until minimum ownership levels are achieved.
2014 Proxy Statement	The Board, at the Committee s recommendation, adopted a clawback policy. The cumulative effect of a series of modifications to the annual performance cash bonus process resulted in the CD&A providing additional details on the specific goals and weightings assigned to performance measures and the bonus process overall. Performance share units required Devon to achieve superior TSR relative to most peers in order to pay out at target.
2013 Proxy Statement	Pre-set Company performance measures used in determining annual cash bonuses were assigned specific weightings. All LTI awarded was performance-based and delivered in the form of performance share units tied to TSR (50%) and performance restricted stock tied to a financial metric (50%). No stock options were awarded in 2012 or any following year.
2012 Proxy Statement	Annual cash bonuses and LTI were re-designed to be performance-based compensation and eligible for tax deduction under IRS Section 162(m) (subject to certain approvals that have now been obtained). Employment agreements were amended to eliminate tax gross-up payment obligations.

Transition of Company s President and CEO; Promotion of Mr. Vaughn Following Year-End

Effective August 1, 2015, Mr. Hager was appointed President and CEO following the retirement of Mr. Richels from the same position. In connection with his appointment, Mr. Hager s salary was increased from $945,000 to $1,275,000. He was also granted an LTI award in the form of performance restricted stock with a grant date fair value of approximately $1,500,000. These compensation decisions were made as a result of the additional responsibilities Mr. Hager assumed as President and CEO of the Company.

In connection with Mr. Richels retirement in July 2015, the Committee amended the LTI award granted to Mr. Richels in February 2015 by a prorated amount to reflect the seven months during 2015 that Mr. Richels served as President and CEO. This amendment reduced his LTI award by approximately 40%. Also, because the Company s current incentive compensation plan does not allow the payment of incentive cash bonuses to executive officers whose service ends before the end of a performance year, Mr. Richels did not receive a performance cash bonus for 2015. With Mr. Richels retirement as an employee, the Committee no longer makes compensation decisions for him. Accordingly, none of the discussion in this CD&A of decisions made by the Committee at its 2016 meetings involved any specific evaluation of Mr. Richels or his compensation.

In February 2016, the Company announced the promotion of Mr. Vaughn from Executive Vice President, Exploration and Production to Chief Operating Officer (COO). In connection with the promotion, Mr. Vaughn s annual salary was increased from $715,000 to $740,000.

Compensation Decisions for 2015

Overview of Pay Decisions

We believe that the proportion of any employee s total direct compensation that varies based on performance should increase as the scope of an employee s ability to influence our results increases. Because executive officers have the greatest influence over our results, a significant portion of their overall compensation consists of performance cash bonuses and long-term incentive awards that vary based on performance. This practice is consistent with norms in the oil and gas industry. As illustrated below, compensation decisions made by the Committee at its January and March 2016 meetings resulted in awards heavily weighted in favor of components subject to performance-related variability, with cash bonuses and LTI representing approximately 85% of the estimated value of total direct compensation awarded to our President and CEO and approximately 75% for all other named executive officers. Further, approximately 75% of the compensation awarded to the CEO and 63% of the compensation awarded to the other NEOs was contingent on metrics typically used in the measurement of return. These percentages are based on 100% of the LTI being contingent on the performance measures of cash flow and TSR and 45% of the cash performance bonus weighting being contingent on the measures of TSR, reserves additions, risked resource portfolio improvement and capital expenditures.

Each year, the Committee refers to the following factors in considering any compensation decisions for the named executive officers:

- Company performance in relation to goals pre-approved by the Committee and the Board of Directors, including the Company s TSR performance as compared to peers;
- each named executive officer s individual performance during the year, including the performance of the business or organizational unit for which the officer is responsible;
- our compensation philosophy;

- confidential interviews individually conducted by the Committee with each executive officer;
- input from the Compensation Consultant (defined below);
- the Committee s own review of competitive market data; and
- the President and CEO s recommendations (as applicable).

With specific compensation elements, the Committee may supplement its analysis with reference to other factors.

Base Salary

A competitive base salary is vital to ensure that we employ executives who have a combination of business acumen, significant industry experience and longevity with the Company. In order to attract and retain such executives, their base salaries must be competitive with the base salaries of executive officers in similar positions at peer companies. Competitive base salaries coupled with a weighting of the overall compensation package toward pay that varies based on performance allows the Company to compete effectively.

In addition to the factors the Committee generally considers with any compensation decisions, the Committee took the following factors into account at its March 2016 meeting when evaluating whether to adjust the salaries of named executive officers:

- the scope of responsibility, experience and tenure of each named executive officer, and the development plans for the officer, and the potential of the officer to take on greater or different responsibilities; and
- the cost controls put in place by the Company for general and administrative expenses.

Based on the foregoing, the Committee determined that no salary increases were warranted in 2016 for the named executive officers other than Mr. Vaughn, who received a 3.5% increase in his base salary to reflect the increase in his responsibilities associated with his promotion to COO. Please note that the SCT s entries for Salary reflect the salaries received by the named executive officers during 2015, including a salary increase approved for Mr. Hager in connection with his appointment as the Company s President and CEO as of August 1, 2015. The footnotes that accompany the SCT provide additional information on salaries for 2015.

Annual Performance Cash Bonus

The Committee believes that performance bonuses awarded to executives should reflect the near-term financial, operating and strategic performance and current decision-making that affects long-term stockholder value. To achieve this, the Committee utilizes a bonus determination formula that establishes a pre-determined bonus target for each executive officer based on a percentage of his base salary. For 2015, bonus targets for named executive officers ranged from 80% to 135% of base salaries depending on industry norms for the relevant officer position. Actual bonus payouts depend on the Company s performance in relation to structured and measurable goals approved by the Board and individual contributions to these goals. Because success in the oil and gas industry requires continuous execution on multiple fronts in order to increase stockholder value, the Company s goals cover a number of both quantitative and qualitative areas, such as delivering stockholder returns and growing our oil and gas production and reserves.

This process supplements the cash bonus eligibility approvals that the Committee makes at the start of each year for purposes of establishing a bonus pool from which actual bonus payouts are made. The Committee s practice is to establish a bonus pool that may provide bonuses between zero and 200% of the aggregate target bonus amount for executive officers. Unless the Company achieves extraordinary performance on all goals, the Committee will not award bonuses that approach the top of this range.

At its January 2016 meeting, the Committee awarded compensation commensurate with performance reflected by the results on the performance scorecard. With respect to operational and financial metrics, the Company executed on its 2015 business plan by posting results that met or exceeded most goals. The Committee scored the Company highest on three key operational measures in that area: oil and gas production, cash margin per barrel and lease operating costs. However, the Committee also recognized the underperformance of the Company s TSR for the year on a relative and overall basis. Please refer to the performance scorecard and related discussion on page 35 for additional detail on the performance assessment process.

Although the structure of the performance bonus award process relies on Company performance metrics and the application of set formulas to arrive at bonus amounts, the Committee maintains the authority to decrease or increase the amount of performance cash bonuses determined through the scoring process by up to 25%. For 2015, the Committee determined that the weightings assigned to the performance metrics in the Company Performance Scorecard, in particular the shortfall of TSR from goal, resulted in an overall performance score that failed to reflect the totality of performance for the year. For this reason, the Committee adjusted bonuses downward from 100% to 90% of target.

The following table outlines the calculations made for the performance cash bonuses awarded for 2015[1]:

Executive	2015 Salary[2]	Performance Bonus Target	Company Performance Score	Process Determined Bonus Amount	Actual Award Amount
David A. Hager	$ 1,275	135%	100%	$ 1,721	$ 1,549
Thomas L. Mitchell	$ 610	100%	100%	$ 610	$ 549
Tony D. Vaughn	$ 715	100%	100%	$ 715	$ 644
Darryl G. Smette	$ 745	100%	100%	$ 745	$ 671
Lyndon C. Taylor	$ 625	80%	100%	$ 500	$ 450

1 All dollar amounts in thousands.

2 Annualized base salary in effect as of December 31, 2015.

Please note that the SCT s entries for Non-Equity Incentive Plan Compensation in 2015 reflect the annual performance cash bonuses listed under the column above titled Actual Award Amount.

Long-Term Incentives

A key element of our compensation program is to reward executive officers for long-term strategic accomplishments and enhancement of long-term stockholder value through equity-based incentives that vest over an extended period of time. Long-term incentive compensation plays an essential role in attracting and retaining executive officers and aligns their interests with the long-term interests of our stockholders.

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In analyzing the value and type of long-term incentives to award to our named executive officers, the Committee referred to the factors it generally considers for compensation decisions and also took into account incentive awards for others in the organization.

Consistent with the grants of LTI awards in recent years, the Committee determined in its March 2016 meeting that the creation of stockholder value would be promoted by linking all long-term incentives awarded in the year to Company performance. Accordingly, the two types of long-term incentives granted to named executive officers performance restricted stock and performance share units only vest if certain levels of performance are achieved. The Committee again elected not to grant any stock options.

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The following table describes the long-term incentives granted to named executive officers at the Committee s meeting in March 2016:

LTI Framework

Type of LTI Award	Purpose	Additional Background and Detail
Performance Restricted Stock (PRS)	Awards of PRS encourage executives to work toward achievement of pre-set financial and operating metrics.	Tying PRS to financial and operating metrics is designed to promote tax efficiency in awarding compensation to named executive officers. Shares only vest if the Company meets the pre-set financial or operating metric. For PRS awards made in early 2016, the Company must attain in 2016 either cash flow before balance sheet changes[1] of at least $500 million or production of at least $175 million BOE in order to vest. If the metric is achieved, shares will vest 25% per year over four years. If the metric is not achieved, the grant will be forfeited. The use of relatively short-term financial and operating metrics coupled with a long-term vesting schedule incentivizes Company performance for the year while promoting the long-term retention of the executive officer.
Performance Share Units (PSU)	Awards of PSU encourage executives to make decisions and take actions that promote mid-term stockholder return.	Executives may earn between 0% and 200% of the shares underlying the grant based on the Company s TSR relative to companies in the peer group over a three-year performance period (January 1, 2016 through December 31, 2018). Payout will be determined as of the end of the performance period based on actual TSR performance over the period. The grid below further details the relationship between relative performance and payout levels. If the Company s TSR outperforms that of its peers, executives may earn the targeted number of shares (100%) or more. If the Company s TSR is at or below median as compared to peers, executives earn fewer shares than targeted with the potential for no payout.

The Company s TSR against its peers[2]	Payout percent of shares underlying grant
1-3	200%

4	175%
5	150%
6	125%
7 (target)	100%
8 (median)	90%
9	80%
10	70%
11	60%
12	50%
13-15	0%

[1] Cash flow before balance sheet changes is calculated as cash generated from operating activities over the applicable period absent the effect of changes in working capital and long-term assets and liabilities over the same period.

[2] The Company and the 14 peer companies listed under Use of Peer Groups on page 49 constitute the 15 companies whose TSR will be ranked from highest to lowest to determine share payout under PSU grants.

Our review of peer data conducted in 2015 indicated that the value of long-term incentives awarded to the named executive officers in early 2015 was generally consistent with the Company s market objective of the 50th percentile of the peer companies.

The Committee approved the grants set forth in the table below at the March 2016 meeting. For the performance restricted stock awards, the Committee selected two metrics one financial, the other operational as set forth in detail on page 44. The Committee structured performance share unit awards in 2016 substantially the same as those granted in 2015. Named executive officers will not receive an above-target payout unless stockholders experience positive returns over the same period. Awarding LTI conditioned upon specific performance criteria preserves the potential tax deductibility of the awards by the Company.

Long-Term Incentives Granted in 2016[1]

Executive	Item[2]	Performance Restricted Stock[3]	Performance Share Units[3]
David A. Hager	Shares	147,146	147,146
	Value	$ 2,828	$ 2,828
Thomas L. Mitchell	Shares	39,890	39,890
	Value	$ 767	$ 767
Tony D. Vaughn	Shares	52,030	52,030
	Value	$ 1,000	$ 1,000
Darryl G. Smette	Shares	19,945	19,945
	Value	$ 383	$ 383
Lyndon C. Taylor	Shares	39,890	39,890
	Value	$ 767	$ 767

[1] For each named executive officer, the Committee first determines the total value of long-term incentives to be awarded then divides the total value approximately equally between performance restricted stock and performance share units.

[2] Dollar values in thousands.

[3] In accordance with applicable accounting requirements, we use a different valuation method in the SCT (in this case, a Monte Carlo simulation) for performance share units than in this table. The Monte Carlo simulation for the performance share units, when valued for purposes of inclusion in next year s SCT as compensation for 2016, will assign a lower per-unit value than the closing price for the Company s stock as of the grant approval date.

In making its award decisions, the Committee noted the Company s achievement of certain key goals in 2015 and the leadership the executive team exhibited in a challenging commodity pricing environment. The Committee also recognized the decrease in the Company s TSR in 2015, the importance of preserving shares available for issuance under Devon s long-term incentive plan and the executive officers recommendation of LTI values lower than prior years. Based on the foregoing, the Committee arrived at LTI awards approximately 33% lower than applicable competitive benchmarks for the two named executive officers who had been promoted since the prior annual award decisions (i.e., Messrs. Hager and Vaughn). For Messrs. Mitchell and Taylor, the Committee determined that awards valued 33% lower than the prior year would be appropriate. Mr. Smette s

awards are less than other named executive officers because Mr. Smette will retire during 2016. The Committee arrived at his award value by reducing his prior year s grant value by one-half then applying a 33% decrease to the amount as occurred with Messrs. Mitchell and Taylor. The SCT s Stock Awards entries in 2015 reflect annual LTI grants approved by the Committee in January 2015. For Mr. Hager, the entry also includes an LTI award he received upon his promotion to President and CEO. For additional information about grants for 2015, please refer to the SCT and accompanying footnotes and the discussion in the CD&A for this year and 2015.

Snapshot Comparison of Compensation Decisions Made Following 2015 and 2014 Company Performance

Pursuant to the Committee s compensation cycle, the Committee awarded a cash bonus for 2015 performance at its January 2016 meeting. The Committee deferred action on salaries and LTI until its March 2016 meeting when it (1) determined base salaries would not change for the duration of 2016 and (2) granted long-term incentives. In accordance with SEC guidance, the base salary and long-term incentives will appear in next year s SCT as compensation for 2016 whereas the cash bonus will be reported in this year s SCT as compensation for 2015. As part of its deliberations each year, the Committee compares the current year s preliminary pay calculations to the prior year s compensation outcomes. The review identifies the elements of our named executive officers compensation that are awarded based on the Company s performance for the prior year and typically de-emphasizes elements that are not tied to Company performance or that may be subject to factors outside the control of the Committee, such as actuarial estimates used in calculating pension values for purposes of the SCT and other required tables.

The table below illustrates the difference in compensation awarded by the Committee to the named executive officers in the first quarters of 2016 and 2015 related to 2015 and 2014 performance, respectively. The compensation awarded to Messrs. Mitchell, Vaughn, Smette and Taylor fell between 21% and 41% from the prior year. Mr. Hager s awarded compensation increased marginally over the prior year due to his promotion to President and CEO.

Comparison of Total Direct Pay[1]

Executive	Year[2]	Base Salary Rate[3]	Performance Cash Bonus[4] $	Performance Cash Bonus[4] % of Target[5]	Value of Annual LTI Grant[6]	Total Direct Pay	2015 Compared to 2014
David A. Hager	2015	$ 1,275	$ 1,549	90%	$ 5,667	$ 8,491	increase of
	2014	$ 1,275	$ 1,350	150%	$ 5,799	$ 8,424	0.8%
Thomas L. Mitchell	2015	$ 610	$ 549	90%	$ 1,533	$ 2,692	decrease of
	2014	$ 610	$ 825	150%	$ 2,299	$ 3,734	27.9%
Tony D. Vaughn	2015	$ 740	$ 644	90%	$ 2,000	$ 3,384	decrease of
	2014	$ 715	$ 1,080	166%	$ 2,499	$ 4,294	21.2%
Darryl G. Smette	2015	$ 745	$ 671	90%	$ 767	$ 2,183	decrease of
							41.7%