DEVON ENERGY CORP/DE
Form DEF 14A
April 25, 2012
Table of Contents

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

(Amendment No.)

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):

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¨ 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:

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(3) Filing Party:

(4) Date Filed:

Table of Contents

Devon Energy Corporation

333 W. Sheridan

Oklahoma City, OK 73102

Notice of 2012

Annual Meeting of

Stockholders

and

Proxy Statement

Wednesday, June 6, 2012

8:00 a.m. (local time)

The Skirvin Hilton Hotel

Continental Room

1 Park Avenue

Oklahoma City, Oklahoma

April 25, 2012

Dear Devon Stockholder,

You are invited to attend the 2012 Annual Meeting of Stockholders of Devon Energy Corporation on Wednesday, June 6, 2012. The meeting will be held at 8:00 a.m., local time, at The Skirvin Hilton Hotel, Continental Room, 1 Park Avenue, Oklahoma City, Oklahoma.

The Annual Meeting will focus on the formal items of business announced in the Notice of the 2012 Annual Meeting and Proxy Statement that follows. Additionally, we will present a report on Devon s operations during 2011.

It is important that your shares be represented and voted at the meeting. I urge you to submit your proxy using the Internet, telephone or by completing and mailing your Proxy Card in the envelope provided. If you decide to attend the Annual Meeting, you will be able to vote in person, even if you have previously submitted your proxy.

Sincerely,

J. Larry Nichols

Executive Chairman of the Board

Commitment Runs Deep

Table of Contents

DEVON ENERGY CORPORATION

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Time 8:00 a.m. (local time) on Wednesday, June 6, 2012

Place The Skirvin Hilton Hotel
Continental Room

1 Park Avenue

Oklahoma City, Oklahoma

Items of Business

- Elect Eight Directors for a Term of One Year;
- Approve, in an advisory vote, Executive Compensation;
- Ratify the Appointment of the Independent Auditors for 2012;
- Approve Amending the Amended and Restated Certificate of Incorporation to Grant Stockholders the Right to Call a Special Meeting;
- Approve the 2012 Incentive Compensation Plan;
- Approve the 2012 Amendment to the 2009 Long-Term Incentive Plan;
- Consider and Vote upon the Stockholder Proposal 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 9, 2012 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 10 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 About the Annual Meeting beginning on page 1.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Stockholders to be Held on June 6, 2012:

Our 2012 Proxy Materials, including the 2012 Proxy Statement

and Annual Report on Form 10-K for the year ended December 31, 2011,

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 25, 2012

Commitment Runs Deep

Table of Contents

PROXY STATEMENT TABLE OF CONTENTS

Table of Contents

PROXY STATEMENT TABLE OF CONTENTS (cont d)

Table of Contents

INFORMATION ABOUT THE ANNUAL MEETING

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 (Annual Meeting). The Annual Meeting will be held on Wednesday, June 6, 2012 at 8:00 a.m. We are sending this Proxy Statement to our stockholders on or about April 25, 2012.

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

What are the Board of Directors voting recommendations?

- ***For*** the election of the eight Director nominees named in this Proxy Statement for a term expiring at the next Annual Meeting of Stockholders;
- ***For*** the approval of executive compensation;
- ***For*** the ratification of the appointment of our independent auditors for 2012;
- ***For*** the approval of an amendment to the Certificate of Incorporation to grant stockholders the right to call a special meeting;
- ***For*** the approval of the 2012 Incentive Compensation Plan;
- ***For*** the approval of the 2012 Amendment to the 2009 Long-Term Incentive Plan;
- ***Against*** the stockholder proposal set forth in this Proxy Statement, if presented.

Who is entitled to vote?

Stockholders as of the close of business on April 9, 2012 (the Record Date) are eligible to vote their shares at the Annual Meeting. As of the Record Date, there were 404,447,090 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 5, 2012; 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 5, 2012; 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.

Table of Contents

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

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 certain stockholders, including those who have previously requested to receive them, with paper copies of the proxy materials instead of a Notice. If you would like to no longer receive printed proxy materials, you may consent to receive all future proxy materials electronically via email or the Internet. 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 (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 (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 3, 2012, the shares credited to your account will be voted by the 401(k) Plan Trustee in the same proportion as it votes shares for which it did receive timely instructions.

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 by contacting us at Devon Energy Corporation, Attention: Corporate Secretary, 333 W. Sheridan, Oklahoma City, Oklahoma 73102, email: CorporateSecretary@dvn.com or by calling (405) 235-3611.

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

Table of Contents

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. You may also send proof of ownership to us at Devon Energy Corporation, Attention: Corporate Secretary, 333 W. Sheridan, Oklahoma City, Oklahoma 73102, or email: CorporateSecretary@dvn.com before the Annual Meeting and we will send you an admission card.

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.

Is my vote confidential?

Yes. We have procedures to ensure that regardless of whether stockholders vote by mail, telephone, Internet or in person, all proxies, ballots and voting tabulations that identify stockholders are kept permanently confidential, except as disclosure may be required by federal or state law or as expressly permitted by a stockholder. In addition, special procedures have been established to maintain the confidentiality of shares voted in our 401(k) Plan.

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?

Election of Directors at the Annual Meeting will be by a plurality of votes cast at the Annual Meeting. Votes may be cast in favor of the election of the Director nominee or withheld.

Our Corporate Governance Guidelines and Bylaws contain a director resignation policy which provides that any nominee for Director in an uncontested election who receives a greater number of

Table of Contents

INFORMATION ABOUT THE ANNUAL MEETING (cont d)

votes withheld from his or her election than votes for such election must submit his or her 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 shares, present in person or by proxy, and entitled to vote at the Annual Meeting, is required to take any other 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 specific instructions as to how to vote. Please be sure to give specific 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 Phoenix Advisory Partners to assist in the solicitation of proxies at an estimated cost of $10,500.00, 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 of the Annual Meeting. You

Table of Contents

may obtain a copy of this and other reports free of charge at www.devonenergy.com, or by contacting our Investor Relations Department at (405) 552-4570 or investor.relations@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, 2012. 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 mailing address is:

Devon Energy Corporation

333 W. Sheridan

Oklahoma City, Oklahoma 73102

Our telephone number is:

(405) 235-3611

Table of Contents

AGENDA ITEM 1. ELECTION OF DIRECTORS

Pursuant to provisions of our Amended and Restated Certificate of Incorporation (Certificate of Incorporation) and Bylaws, the Board of Directors shall consist of not less than three nor more than 20 Directors. Currently, the Board is comprised of eight Directors. Our Certificate of Incorporation and Bylaws provide for all Directors to be of one class and to be elected annually for a term expiring at the next Annual Meeting of Stockholders.

The Board of Directors has nominated for re-election incumbent Directors Robert H. Henry, John A. Hill, Michael M. Kanovsky, Robert A. Mosbacher, Jr., J. Larry Nichols, Duane C. Radtke, Mary P. Ricciardello and John Richels, whose terms expire at the 2012 Annual Meeting.

The Board of Directors recommends a vote FOR each of the nominees for election to the Board of Directors.

It is the intention of the persons named in the proxy to vote proxies **FOR** the election of the nominees unless they are instructed otherwise. In the event any of the nominees should fail to stand for election, the persons named in the proxy intend to vote for substitute nominees designated by the Board of Directors, unless the Board of Directors reduces the number of Directors to be elected. Proxies cannot be voted for a greater number of persons than the number of nominees named.

Director Nominees

Robert H. Henry

Director since 2010

Age 59

Committees:

Audit

Governance

Professional Experience

Mr. Henry has served as President and Chief Executive Officer of Oklahoma City University since June 2010. Mr. Henry was appointed to the United States Court of Appeals for the Tenth Circuit in 1994, where he served until June 2010, most recently as Chief Judge. Prior to his appointment, he was Dean and Professor of Law at Oklahoma City University School of Law from 1991 to 1994, Attorney General of Oklahoma from 1987 to 1991 and an Oklahoma State Representative from 1976 to 1986.

Education

Mr. Henry holds a Bachelor s degree and a law degree from the University of Oklahoma.

Other Boards and Appointments

Mr. Henry serves as a director for the Oklahoma Medical Research Foundation, Foundation for the Future, Oklahoma Heritage Association and the Vera Institute of Justice.

Qualifications

Mr. Henry brings to the Board his knowledge as a legal scholar and his experience of public service on numerous national and international judicial advisory committees.

Table of Contents

AGENDA ITEM 1.

ELECTION OF DIRECTORS (cont d)

John A. Hill

Director since 2000

Age 70

Lead Director

Committees:

Chair, Compensation

Professional Experience

Mr. Hill founded First Reserve Corporation, an oil and gas investment management company, in 1983 and is currently its Vice Chairman and Managing Director. Mr. Hill was formerly President and Chief Executive Officer of several investment banking and asset management companies and served as Deputy Associate Director of the Office of Management and Budget and as Deputy Administrator of the Federal Energy Administration during the Ford administration.

Education

Mr. Hill holds a Bachelor s degree in Economics from Southern Methodist University and pursued graduate studies there as a Woodrow Wilson Fellow.

Other Boards and Appointments

Mr. Hill also serves as Chairman of the Board of Trustees of the Putnam Funds in Boston and as Chairman of the Board of Trustees of Sarah Lawrence College.

Qualifications

Mr. Hill brings to the Board his extensive experience in investment management and knowledge of the oil and gas business.

Michael M. Kanovsky

Professional Experience

Mr. Kanovsky is a professional engineer and President of Sky Energy Corporation. Mr. Kanovsky was a founder of both Northstar Energy Corporation and Bonavista Energy Corporation. From 1982 to 1998 he served on the Board of Directors of the Canadian-based Northstar Energy Corporation,

Director since 1999

Age 63

Committees:

Chair, Reserves

Audit

which was acquired by Devon in 1998.

Education

Mr. Kanovsky holds 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 the University of Western Ontario.

Other Boards and Appointments

Mr. Kanovsky serves as a director of ARC Resources Ltd., Bonavista Petroleum Ltd., Pure Technologies Ltd. and TransAlta Corporation.

Qualifications

Mr. Kanovsky brings to the Board his extensive knowledge of the energy industry and of the Company s assets and areas of operation.

Table of Contents

AGENDA ITEM 1.

ELECTION OF DIRECTORS (cont d)

Robert A. Mosbacher, Jr.

Director since 2009

Age 60

Committees:

Chair, Governance

Compensation

Reserves

Professional Experience

Mr. Mosbacher is Chairman of Mosbacher Energy Company, an independent oil and gas exploration and production company. Mr. Mosbacher previously served as a member of the Board from 1999 until 2005 when he was appointed by the Bush administration to the position of President and Chief Executive Officer of the Overseas Private Investment Corporation (OPIC), an independent agency of the U.S. government that supports private capital investment in emerging markets around the world.

Education

Mr. Mosbacher received a Bachelor s degree from Georgetown University and a law degree from Southern Methodist University.

Other Boards and Appointments

Mr. Mosbacher also currently serves as a director of Calpine Corporation.

Qualifications

Mr. Mosbacher brings to the Board his extensive experience in the energy industry and his leadership experience at OPIC, which contributed to the development of the global marketplace.

J. Larry Nichols

Professional Experience

Mr. Nichols is a co-founder of the Company and has served on the Board since the Company s inception. In 2010 he was elected to the position of Executive Chairman, having served previously as Chief Executive Officer and Chairman of the Company.

Director since 1971

Age 69

Executive Chairman

Education

Mr. Nichols holds a Bachelor s degree in Geology from Princeton University and a law degree from the University of Michigan.

Other Boards and Appointments

Mr. Nichols is a director of Baker Hughes Incorporated and Sonic Corp. and serves on the Board of Directors of the American Petroleum Institute Inc.

Qualifications

Mr. Nichols brings to the Board his knowledge and experience as a founder and proven leader of the Company for more than 40 years. He has been a primary factor in the Company s development, growth and continued success.

Table of Contents

AGENDA ITEM 1.

ELECTION OF DIRECTORS (cont d)

Duane C. Radtke

Director since 2010

Age 63

Committees:

Compensation

Reserves

Professional Experience

Mr. Radtke currently is owner, President and Chief Executive Officer of Valiant Exploration LLC. He was President and Chief Executive Officer of Dominion Exploration and Production from 2001 to 2007. Following the Company s 2000 merger with Santa Fe Snyder, Mr. Radtke was 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 Non-Executive Chairman of NFR Energy, LLC. He is also a director of Kris Energy and served as a director of Smith International, Inc. from 2009 until 2010, at which time Smith International, Inc. merged with Schlumberger Limited.

Qualifications

Mr. Radtke brings to the Board extensive knowledge of the energy industry, including experience with the Company s assets and operations.

Mary P. Ricciardello

Professional Experience

Ms. Ricciardello is a licensed Certified Public Accountant. In 2002 she retired after a 20-year career with Reliant Energy Incorporated, a leading independent power producer and marketer. Ms. Ricciardello began her career with Reliant in 1982 and served in various financial management positions with the company including Comptroller, Vice President and most recently as Senior Vice

Director since 2007

Age 56

Committees:

Chair, Audit

Governance

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 emphasis in Finance from the University of Houston.

Other Boards and Appointments

Ms. Ricciardello is a director of Noble Corporation. She also serves on the Board of Midstates Petroleum, a private company, and the National Association of Corporate Directors Houston Chapter.

Qualifications

Ms. Ricciardello brings to the Board her qualifications as a financial expert and her extensive experience in corporate finance and tax matters.

Table of Contents

AGENDA ITEM 1.

ELECTION OF DIRECTORS (cont d)

John Richels

Director since 2007

Age 61

Professional Experience

Mr. Richels was appointed President and Chief Executive Officer in 2010, having previously served as President of the Company since 2004. Prior to that, Mr. Richels served as President and Chief Executive Officer of Devon Canada Corporation, a subsidiary of the Company. He joined the Company in 1998 when the Company acquired Canadian-based Northstar Energy Corporation. Prior to that Mr. Richels served as Managing and Chief Operating Partner of the Canadian-based national law firm, Bennett Jones.

Education

Mr. Richels holds a Bachelor s degree in Economics from York University and a law degree from the University of Windsor.

Other Boards and Appointments

Mr. Richels served as a director of Northstar Energy Corporation from 1993 to 1996. He also served as Vice-Chairman of the board of governors of the Canadian Association of Petroleum Producers.

Qualifications

Mr. Richels brings to the Board extensive knowledge of the energy industry, including experience with the Company s assets and operations. Mr. Richels also brings demonstrated leadership abilities and commitment.

Table of Contents

CORPORATE GOVERNANCE

Board of Directors Information

Our Board of Directors met four times in 2011. All Directors attended 75% or more of the total meetings of the Board of Directors and Committees on which they served. We require a majority of our Directors to be in attendance at our Annual Meetings of Stockholders. All Directors attended the 2011 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
- Committee Charters.

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 Responsibility Report and information on our Environmental, Health 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 make-up 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.

Table of Contents

Committees

The Board of Directors has standing Audit, Compensation, Governance and Reserves Committees. The following table shows each Committee s current membership, function and the number of meetings each Committee held in 2011:

Table of Contents

[1] Chairman

[2] Audit Committee financial expert

Director Independence

In accordance with our Corporate Governance Guidelines, 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 2011, with the exception of our Executive Chairman, J. Larry Nichols, and our President and CEO, 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 standards established by the NYSE.

In evaluating the independence of Mr. Robert H. Henry, the Board has considered the charitable contributions made by us 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. In 2009, 2010 and 2011, we made charitable contributions to OCU of $3.1 million, $970,000 and $158,000, respectively. The charitable contributions in 2009 and 2010 were made pursuant to funding commitments we entered into in 2008, prior to Mr. Henry s appointment to his current position at OCU and prior to his appointment to our Board. Mr. Henry was named President of Oklahoma City University in June 2010 and appointed to our Board in August 2010.

Lead Director

The Board has a Lead Director whose primary responsibility is to preside over the executive session of the Board meeting in which Mr. Nichols, Mr. Richels and other 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 2011, the Lead Director presided over four executive sessions of the Board.

John A. Hill has served as our Lead Director since June 2010 and will serve in that position until a successor is named by the Board.

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 Committee, Governance Committee, Compensation Committee and Reserves Committee 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 Chief Executive Officer in the same or in different individuals. The Board currently has no fixed policy with respect to combining or separating the offices of Chairman of the Board and Chief Executive Officer.

Table of Contents

CORPORATE GOVERNANCE (cont d)

In June 2010, the roles were separated when John Richels was promoted to President and Chief Executive Officer and J. Larry Nichols transitioned to the role of Executive Chairman of the Board. Although the Board believes this structure is in the Company s best interest at the present time, the Board may combine these positions in the future should circumstances change.

The Company s Corporate Governance Guidelines provide that at any time the Chief Executive Officer holds the position of Chairman of the Board, the Board shall appoint an independent Director to serve as the Lead Director. Although these positions are currently held by different individuals, the Board has appointed Mr. John Hill to serve as Lead Director.

Director Communication

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

- calling our Non-Management Director 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, 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.

Compensation Committee Interlocks and Insider Participation

During 2011, the Compensation Committee was comprised of three independent Non-Management Directors with no interlocking relationships as defined by the SEC.

Related Party Transactions

We have adopted a Code of Business Conduct and Ethics (Code) that applies to all of our Directors, officers and employees. The Code is posted at www.devonenergy.com. The Code describes the policies and standards for protecting the Company s integrity and provides guidance for recognizing and properly resolving any ethical and legal issues that may be encountered while conducting business. The Board of Directors reviews the Code annually and all Directors, executives and employees individually sign acknowledgements agreeing to abide by the Code. Any waiver of any provisions of the Code on behalf of an executive officer or Director may only be approved by the Board of Directors or a Committee designated by the Board of Directors. It is the policy of the Audit Committee to review the terms and substance of any potential related party transaction for purposes of determining whether a waiver to the Code should be granted.

There have been no related person transactions as defined by applicable SEC regulations during the reporting period of 2011.

Table of Contents

Director Compensation for the Year Ended December 31, 2011

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. Directors who are also employees receive no Director compensation. The following table shows compensation for Non-Management Directors for 2011:

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)[1]	Option Awards ($)[1]	Total ($)
Robert H. Henry	82,000	159,980	102,832	344,812
John A. Hill	80,000	159,980	102,832	342,812
Michael M. Kanovsky	79,500	159,980	102,832	342,312
J. Todd Mitchell	63,500			63,500
Robert A. Mosbacher, Jr.	90,000	159,980	102,832	352,812
Duane C. Radtke	74,000	159,980	102,832	336,812
Mary P. Ricciardello	95,000	159,980	102,832	357,812

[1] Stock and option awards were made on June 8, 2011 to all Directors with the exception of J. Todd Mitchell. Mr. Mitchell s term on the Board of Directors ended on June 8, 2011. The stock awarded on June 8, 2011 was valued at $79.99 per share and the options awarded on June 8, 2011 were at an exercise price of $79.99 with a value of $34.2772 per share. The dollar amounts reported in these columns represent the grant date fair values of the stock and option awards granted in 2011. The assumptions used to value stock and option awards are discussed in *Note 3 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, 2011.

The following table represents the number of unvested stock awards and the number of outstanding and unexercised option awards held by each of our Non-Management Directors as of December 31, 2011:

Name	Outstanding Stock Awards	Outstanding Option Awards
Robert H. Henry	3,500	6,000
John A. Hill	5,000	28,000
Michael M. Kanovsky	5,000	28,000
J. Todd Mitchell		25,000
Robert A. Mosbacher, Jr.	4,500	9,000
Duane C. Radtke	3,500	6,000
Mary P. Ricciardello	5,000	15,000

Table of Contents

Annual Retainer and Meeting Fees

The following is a schedule of annual retainers and meeting fees for Non-Management Directors in effect during 2011:

Type of Fee	Amount
Annual Board Retainer	$ 50,000
Additional Annual Retainer to Chairman of Audit Committee	$ 15,000
Additional Annual Retainer to Chairman of Compensation, Governance and Reserves Committees	$ 10,000
Additional Annual Retainer to Audit Committee Members	$ 2,000
Fee for each Board Meeting attended in person	$ 2,000
Fee for each Board Meeting attended via telephone	$ 1,000
Fee for each Committee Meeting attended in person	$ 2,000
Fee for each Committee Meeting attended via telephone	$ 1,000

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

Annual Equity Awards

As described in footnote 1 to the Director Compensation Table, in June 2011, our Non-Management Directors were granted an annual award of 3,000 stock options and 2,000 shares of restricted stock under our 2009 Long-Term Incentive Plan. Stock and option awards to Non-Management Directors are granted immediately following each Annual Meeting. Options vest on the date of grant and are granted at an exercise price equal to the closing price of our common stock on that date. Unexercised options will expire eight years from the date of grant. With respect to restricted stock awards, 25% of each award vests on each anniversary of the date of grant, subject to the Director s continued service to the Company. Cash dividends on shares of restricted stock are paid at the same times and in the same amounts as on other shares of our common stock.

Table of Contents

GOVERNANCE COMMITTEE REPORT

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

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 director nominees for election at our 2013 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, Oklahoma City, Oklahoma 73102. Pursuant to our Bylaws, stockholders may recommend a director nominee by delivering a timely notice to our Corporate Secretary at the address above. Such a recommendation must be received between February 7, 2013 and March 10, 2013 in order to be considered timely. 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 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. Our Board of Directors considered the experience, qualifications, attributes and skills of each of the nominees for Director at the 2012 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.

Table of Contents

GOVERNANCE COMMITTEE REPORT (cont d)

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

- mandatory retirement at the Annual Meeting following the 73rd birthday of a Director;
- ownership of Devon common stock equal to five times the Director s annual retainer divided by the average daily closing price of the Company s common stock for the prior year;
- 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
- prompt notification to the Executive 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 undertakes a corporate governance self-assessment, consisting of a thorough review of the Company s corporate governance practices. The Governance Committee reviews the Company s practices and best practices followed by other companies to maintain a corporate governance framework for the Company that is effective and functional and that fully addresses the interests of the Company s stakeholders. The Governance Committee from time to time recommends enhanced corporate governance standards to the Board. 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 its position at the forefront of corporate governance best practices.

Robert A. Mosbacher, Jr., Chairman

Robert H. Henry

Mary P. Ricciardello

Table of Contents

AUDIT COMMITTEE REPORT

The Board of Directors maintains an Audit Committee which is currently comprised of three independent Directors. The Board and the Audit Committee believe that the Audit Committee s current membership satisfies the rules of the NYSE 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. For purposes of complying with the listing standards of the NYSE, the Board has determined that none of the Directors is currently serving on the audit committees of more than three public companies. The Audit Committee operates under a written charter approved by the Board of Directors. The 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 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 2011, 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.

In reliance on the reviews and discussions referred to above, the Audit Committee recommended to the Board of Directors, 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, 2011 that has been filed with the SEC. The Audit Committee has approved KPMG LLP as the Company s independent auditors for the year ending December 31, 2012.

Mary P. Ricciardello, Chairman

Robert H. Henry

Michael M. Kanovsky

Independent Auditors Fees

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, 2011 and December 31, 2010, the following fees were paid to KPMG LLP:

	2011	2010
Audit fees	$ 3,423,000	$ 3,300,000
Audit related fees	499,000	132,000
Tax fees	189,000	267,000
All other fees	281,000	
	$ 4,392,000	$ 3,699,000

Audit fees included services for the audits of the financial statements and the effective operation of our internal controls over financial reporting. Audit related fees consisted principally of audits of financial statements of certain affiliates and subsidiaries, certain accounting consultation and review and assessment of certain processes and contracts related to certain of our information systems. Tax fees consisted of tax compliance and tax consulting fees. All other fees relate to a review and assessment of our primary data center.

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 2011 and 2010 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.

Table of Contents

RESERVES COMMITTEE REPORT

In 2004, the Board of Directors established a Reserves Committee that is currently comprised of three independent Directors. The Reserves Committee operates under a charter approved by the Board that is available at www.devonenergy.com. The Reserves Committee oversees, on behalf of the Board, the integrity of the Company s oil, 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, 2011, having regard to industry practices and all applicable laws and regulations. In fulfilling its duties during 2011, the Reserves Committee:

- approved AJM Deloitte and LaRoche Petroleum Consultants, Ltd. as the Company s independent engineering consultants for the year ended December 31, 2011;
- 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 in 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 of Directors, 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, 2011 that has been filed with the SEC.

Michael M. Kanovsky, Chairman

Robert A. Mosbacher, Jr.

Duane C. Radtke

Table of Contents

AGENDA ITEM 2.

APPROVE, IN AN ADVISORY VOTE, EXECUTIVE COMPENSATION

In accordance with SEC rules, 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. 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 2012 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 2012 Annual Meeting of Stockholders pursuant to the compensation disclosure rules of the Securities and Exchange Commission, including the Compensation Discussion and Analysis, the 2011 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 our Board of Directors. The Board will, however, as it did last year, take into account the outcome of the vote when considering future compensation arrangements.

The Board of Directors recommends a vote FOR the approval of the compensation of our named executive officers.

Table of Contents

NAMED EXECUTIVE OFFICER COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Executive Summary

Introduction

In this Compensation Discussion and Analysis (CD&A), we will outline our compensation philosophy and describe the material components of our executive compensation practices and programs for the following named executive officers, whose compensation is set forth in the 2011 Summary Compensation Table and other compensation tables contained in this proxy statement:

Executive	Position
John Richels	President and Chief Executive Officer
J. Larry Nichols	Executive Chairman
Jeffrey A. Agosta	Executive Vice President and Chief Financial Officer
David A. Hager	Executive Vice President Exploration and Production
Darryl G. Smette	Executive Vice President Marketing, Midstream and Supply Chain

This CD&A also summarizes the compensation decisions we made under these programs and the factors we considered in making those decisions.

The compensation objectives, practices, and programs discussed in this CD&A also apply to the four Executive Vice Presidents of the Company who are not named executive officers. In this CD&A, the term executive officers refers to the group that includes both the named executive officers and the other Executive Vice Presidents.

Compensation Philosophy and Objectives

It is our goal to be the premier independent oil and natural gas company in North America and to provide our stockholders with top-quartile 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, all on a per debt-adjusted share basis. This demands that the Company exercise capital discipline, maintain superior financial strength, invest in oil and gas properties with strong full-cycle margins, 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 long-term incentive awards. 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 tightening of the labor market or changes in competitive pay practices.

The primary components of our executive compensation programs consist of base salary, 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 market compensation comparables within a group of industry peer companies. 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 in order to compete with the practices of our peer group.

Response to 2011 Say-on-Pay Vote

The Company s 2011 say-on-pay vote yielded a 56 percent approval. While the Compensation Committee of the Board of Directors (Committee) believes the type of awards historically utilized in the Company s executive compensation package and the structured process through which the Committee determined compensation levels has served stockholders well over the long term, the Committee felt it appropriate to direct Company management to seek more specific stockholder feedback following the vote. In response, Company management contacted 25 stockholders that collectively held approximately 46.5% of the Company s stock. Many of the stockholders were willing to provide their insight and perspective on our executive compensation practices. The conversations resulted in meaningful feedback that included two consistent areas of comment: (1) the determination of compensation awards under the Company s incentive programs (i.e., annual performance cash bonuses and long-term incentive awards) lacked transparency and did not appear to be sufficiently tied to pre-set performance goals, and (2) the Company s transition plan related to the June 2010 promotion of Mr. Richels to CEO and transition of Mr. Nichols to Executive Chairman was not clearly articulated and the transition was not reflected in their relative compensation levels.

Table of Contents

NAMED EXECUTIVE COMPENSATION (cont d)

Changes to Our Compensation Programs in 2011

In response to stockholder feedback, the Committee has implemented the following significant changes:

Stockholder Feedback on 2010 Compensation Practices	Changes to Compensation Practices in 2011	Addressed on Page(s)
Annual performance cash bonus was perceived as non-formulaic and lacking structure.	The bonus determination process for 2011 was more transparent, and the calculation of bonuses included more structure. This CD&A sets forth the formula used for calculating bonuses. Executives were assigned target bonus opportunities. Actual payouts vs. target opportunities were based on achievement against pre-set Company performance measures.	33-36
Long-term incentives were in the form of stock options (1/2) and restricted stock (1/2). The restricted stock provided for vesting over a four-year period without reference to Company performance measures.	2011 long-term incentives were 100% performance based. This was achieved through a combination of performance share units tied to total stockholder return (1/3), performance restricted stock tied to a financial metric (1/3), and stock options (1/3).	36-39
The Company s transition plan related to the June 2010 promotion of Mr. Richels to CEO and transition of Mr. Nichols to Executive Chairman was not clearly articulated and the transition was not reflected in their relative compensation levels.	As contemplated in the transition plan adopted by the Company in 2010 upon the promotion of Mr. Richels to CEO and the transition of Mr. Nichols to Executive Chairman, the combined performance cash bonus and long-term incentives of the Executive Chairman decreased by 61%. Base salary of Executive Chairman was reduced from $1,500,000 to $1,000,000.	31
Employment agreements with executive officers included tax gross-up payment obligations in the event of a change in control of the Company.	Employment agreements have been amended to eliminate tax gross-up payment obligations.	41
Significant portions of executive compensation were not eligible for tax deduction under IRS Section 162(m).	Cash bonus and long-term incentives have been re-designed to be performance-based compensation and, subject to certain approvals, eligible for tax deduction under IRS Section 162(m).	42

These changes further strengthen the tie between executive officer pay and performance. As in the past, the Company will continue its dialogue with stockholders this year and in the future seek further feedback on our compensation programs, processes, and outcomes, including the changes we implemented in 2011.

Table of Contents

Compensation Process

The Committee directs the process of reviewing and determining compensation for named executive officers. The Committee retains an external compensation consultant to provide assistance with the process. The roles of the Committee and the compensation consultant, which include the development of a peer group in order to benchmark our executive officers compensation, are further described in the following sections.

Role of the Committee

The Committee establishes our executive compensation philosophy and administers the overall executive compensation program. The Committee operates under a written charter approved by the Board of Directors, a copy of which is available at www.devonenergy.com.

Each year, the Committee conducts an individual, in-depth interview with each executive officer to discuss the officer s analysis of the Company s overall performance for the year, performance within the officer s area of responsibility, and any issues or concerns regarding the Company s operations. We believe this is a unique and highly effective tool in the Committee s oversight of the executive compensation process. In addition, the Executive Chairman and the President and CEO each discuss with the Committee their evaluation of each executive officer s performance, role, development, and potential to take on greater or different responsibilities. The President and CEO also provides compensation recommendations to the Committee for executive officers (other than himself and the Executive Chairman).

The Committee considers the various factors described in this CD&A, including its interviews with executive officers and the Executive Chairman s and the President and CEO s evaluations of each executive officer s performance, and in a closed session without any executive officer present, the Committee sets the Executive Chairman s and the President and CEO s compensation. The Committee then determines whether to approve the President and CEO s recommendations of compensation for the other executive officers.

Role of the Compensation Consultant

For the 2011 compensation process, the Committee retained as its external compensation consultant representatives from Meridian Compensation Partners, LLC (Compensation Consultant). The Compensation Consultant evaluated the competitiveness of our programs and assisted with executive compensation program design. The Committee did not direct the particular manner or method in which the Compensation Consultant performed these services. The Committee has the final authority to hire and terminate the Compensation Consultant, and the Committee evaluates the performance and independence of the Compensation Consultant annually.

Benchmarking

To successfully compete for executive talent, the Committee, working with the Compensation Consultant, annually compares the compensation of our executive officers to the compensation of similarly situated executives at peer companies with business operations focused on exploration and production of oil and gas. In establishing a peer group, the Committee chiefly seeks companies with asset and market values similar to the Company. The Committee also considers revenue levels and enterprise values, calculated as market value *plus* net long-term debt and preferred stock, of the companies. The Committee believes these metrics are appropriate for determining peers because they provide a reasonable point of reference for comparing executives with similar positions and responsibilities. At the time the Committee approved the peer group for 2011, the Company was positioned between the 35^{th} and 65^{th} percentiles of the peer group on each of these metrics.

The approved peer group for 2011 consisted of the 14 companies listed below.

Anadarko Petroleum Corporation

Apache Corporation

Chesapeake Energy Corporation

Chevron Corporation

ConocoPhillips

EnCana Corporation

EOG Resources, Inc.

Hess Corporation

Marathon Oil Corporation

Murphy Oil Corporation

Noble Energy, Inc.

Occidental Petroleum Corporation

Pioneer Natural Resources Company

Talisman Energy Inc.

The Committee s benchmarking analysis consists of all components of total direct compensation, including base salary, annual bonus, and long-term incentives. The Compensation Consultant collected and summarized compensation data from the proxy statements of the peer group companies and the Compensation Consultant s proprietary databases.

Tally Sheet Review

The Committee annually reviews tally sheets for executive officers that include all elements of compensation, including potential payments under various termination scenarios.

Succession Planning

The Company has a robust succession planning process to ensure the development of executive talent for the near and long term. The process and progress are reviewed with the Committee and the Board of Directors on an annual basis.

Compensation Decisions in 2011

Company Performance

During 2011, the Company successfully completed the planned divestitures of its offshore assets in the Gulf of Mexico and countries outside North America. In total, the Company realized approximately $8 billion of after-tax proceeds from the divestiture program, exceeding the Company s initial expectation of $4.5 billion to $7.5 billion. The Company also successfully re-focused its efforts on expanding operations in North America and delivering strong operational and financial results.

In addition to funding a robust exploration and development program in 2011, the Company maintained one of the strongest balance sheets in the industry. In 2011, the Company also returned

$2.3 billion to the Company s stockholders through share repurchases, which completed a $3.5 billion share repurchase program initiated in May 2010. In spite of good operational and financial performance, the Company s total stockholder return (TSR) (stock price appreciation *plus* dividends) trailed the average return of our industry peers. Further discussion of company performance can be found on page 28.

Key 2011 Executive Compensation Decisions

The Company recognizes the importance of TSR to our stockholders and its significance in aligning the efforts of our executive officers with the interests of our stockholders. For 2011, the Company s TSR fell short of the industry median. As such, although the Company posted strong operational and financial performance during 2011, the Committee made the following key compensation decisions at its meeting in November 2011:

- each named executive officer received a lower performance cash bonus than that of the prior year;
- four of the five named executive officers did not receive an increase in base salary for 2012.

The promotion of Mr. Richels to CEO had been contemplated by Mr. Nichols and the Board for some time prior to Mr. Richels promotion in June 2010. At the time of Mr. Richels promotion, the Committee developed a transition plan pursuant to which their respective salaries would be adjusted through a transition period to reflect the transfer of responsibilities from Mr. Nichols to Mr. Richels. In furtherance of that transition plan, the Committee reduced each component of the Executive Chairman s direct pay. Base salary decreased from $1,500,000 in 2011 to $1,000,000 in 2012 and the total of the Executive Chairman s performance cash bonus and long-term incentives for 2011 decreased by 61% as compared to the prior year.

When combining the performance-based compensation decisions and those related to the planned transition of the CEO and Executive Chairman, the total direct Compensation awarded to each named executive officer remained flat or declined and, in the aggregate, fell by approximately $9.3 million, or 23%, as compared to the prior year (see the Comparison of Total Direct Executive Pay table with footnotes on page 31).

Table of Contents

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. Since 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 in 2011 resulted in awards heavily weighted in favor of components subject to performance-related variability with cash bonuses and long-term incentives representing approximately 90% of the estimated value of total direct compensation awarded to our President and CEO and approximately 83% for all other named executive officers.

The Committee considers the following factors in making annual compensation decisions for the named executive officers:

- Company performance in relation to pre-approved goals that include 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;
- interviews with the executive officers;
- the Compensation Consultant s input;
- the Committee s own review of competitive market data; and
- the President and CEO s recommendations (as applicable).

In 2011, the Committee also considered challenges presented by the current economic environment and the unique dynamics of the oil and gas industry. Some particularly noteworthy challenges in 2011 involved the continued decoupling of oil and natural gas prices, the expansion of drilling activity in North America by many companies (including oil industry Majors) and the exacerbation of tight labor market conditions such that the premium placed on experienced oil and gas talent (including executives) continues to grow.

Table of Contents

Snapshot of 2011 Compensation Outcomes

The following table provides details on the total direct pay awarded to our named executive officers in our November 2011 meeting in which the Committee applied our new performance cash bonus and long-term equity incentive frameworks. Please note that the dollar amounts reflected in the table below will differ from amounts contained in the Summary Compensation Table in the following manner: the table below presents salary in the year of decision not payment and includes the performance share unit and performance restricted stock portions of LTI valued at the closing price on the date of grant rather than the accounting value required in the Summary Compensation Table.

Comparison of Total Direct Executive Pay Decisions[1]

Executive	Decision Year	Salary[2]	Bonus[3]	Value of Annual LTI Grant[4]	Total Direct Pay	2011 Compared to 2010
John Richels	2011	$ 1,400	$ 2,300	$ 10,001	$ 13,701	decrease
	2010	$ 1,400	$ 2,500	$ 10,001	$ 13,901	of 1.4%
J. Larry Nichols	2011	$ 1,000	$ 1,500	$ 4,001	$ 6,501	decrease
	2010	$ 1,500	$ 3,000	$ 11,001	$ 15,501	of 58.1%
Jeffrey A. Agosta	2011	$ 550	$ 520	$ 2,002	$ 3,072	decrease
	2010	$ 525	$ 550	$ 2,001	$ 3,076	of 0.2%
David A. Hager	2011	$ 775	$ 850	$ 3,001	$ 4,626	decrease
	2010	$ 775	$ 900	$ 3,000	$ 4,675	of 1.1%
Darryl G. Smette	2011	$ 675	$ 755	$ 2,299	$ 3,729	decrease
	2010	$ 675	$ 800	$ 2,302	$ 3,777	of 1.2%
					Aggregate	decrease of 22.7%

[1] Dollar amounts in thousands.

[2] Salary determined at year end 2011 and 2010 was effective throughout 2012 and 2011, respectively.

[3] Performance bonus awarded in 2011 and 2010 paid in 2012 and 2011, respectively.

[4] For the purposes of determining the number of shares underlying LTI grants, the Committee utilizes Black-Scholes Merton method for stock options and face-value (value divided by grant date closing price) method for full value shares. The amounts in this table reflect the Committee s methodology.

Table of Contents

Compensation Elements Used in 2011

The narrative that follows provides additional background and detail on the compensation decisions made in 2011 with respect to direct pay as well as our objectives in including each component of direct pay in our executive compensation programs.

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 of peer companies with whom we compete for executive personnel. Competitive base salaries, coupled with a weighting of our overall compensation package toward pay that varies based on performance, allows us to compete effectively.

In its November 2011 meeting, the Committee took the following factors into account when considering whether, and by what amount, to adjust the salary of named executive officers for 2012:

- external market forces and data, including the comparative position of our named executive officers base salaries to the targeted market objective on a group and individual basis and the tight and competitive labor market for executive leadership in the industry;
- the scope of responsibility, experience, and tenure of each named executive officer;
- the development plans for, and potential to take on greater or different responsibilities of the named executive officer; and
- internal equity considerations.

Based on the foregoing, the Committee determined that in most cases existing salaries appropriately recognized the value the labor market places on the experience, expertise, and knowledge required to be successful in executive officer positions. The Committee, however, approved the President and CEO s recommendation to increase Mr. Agosta s annual salary by $25,000, or 4.8%. This increase reflects his recent appointment and continued development as the Company s CFO and moves his base salary closer to the 50th percentile of market guidelines for base salaries of executives in similar positions at peer companies. With the transition of responsibilities from the Executive Chairman to our President and CEO, the Committee reduced the Executive Chairman s annual salary by $500,000, or 33%. Other than Messrs. Agosta and Nichols, the Committee determined not to change any named executive officer s salary during the 2011 performance assessment and compensation decision-making process.

Table of Contents

NAMED EXECUTIVE COMPENSATION (cont d)

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. As discussed in the Executive Summary of this CD&A, in 2011 the Committee enhanced its performance bonus determination process to further align current and future awards with performance and to provide greater transparency and structure. The Committee now utilizes a bonus determination process that features the following components:

Base Salary	Each executive officer s base salary for the year is the starting point in determining his annual performance bonus.	
	Base salary is multiplied by a pre-determined bonus target.	
Bonus Target	Each executive officer position is assigned a bonus target relative to base salary. Bonus targets are based on competitive industry norms for the relevant officer position.	CEO s Target = 135% of base salary Other NEOs Target = 100% of base salary
	The product of the salary and bonus target is multiplied by a company performance score.	
Company Performance Score	Based on the Company s performance against pre-set measures, the Committee assigns a performance score between 0 to 200%, with a score of 100% indicating performance that meets expectations or goals.	70% of the company performance score is determined based on operational and financial measures. 30% of the company performance score is based on strategic measures.
	The product of the above steps, the Process Determined Amount, may then be adjusted by the Committee.	
Limited Discretion to Adjust	The Committee retains the discretion to adjust the Process Determined Amount based on individual or across-the-board performance factors.	Discretion to adjust Process Determined Amount by no more than 25%.

The company performance score is determined by reference to performance in relation to structured and measurable goals approved by the Board of Directors before the start of the relevant year target. Success in the oil and gas industry requires continuous execution on multiple fronts in order to propel stockholder value. Accordingly, 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. In order to reflect the relative importance of those areas in light of our philosophy for performance cash bonuses, we include two general categories in our company performance goals and assign a separate weighting to each category.

For 2011, the Committee grouped performance measures into two general categories operational and financial measures, and strategic measures at weights of 70% and 30%, respectively. The 2011 performance measures were selected because they represent key metrics for our near-term performance and together they contribute to our prospects for sustainable growth of the Company and long-term value creation for the Company and our stockholders.

Table of Contents

The following table summarizes the Company s performance on key operational and financial measures in 2011:

[1] Certain performance measures above refer to the Company s rank among a group that includes six recognized industry peers of the Company (Anadarko Petroleum Company, Apache Corporation, Chesapeake Energy Corporation, EnCana Corporation, EOG Resources, Inc., and Noble Energy, Inc.). Each peer is similar in size with a comparable business to the Company. Each peer is also included within our benchmarking peer group.

[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.

The Committee did not assign a particular weight to any single operational and financial performance measure, but instead the Committee considered the measures together and assigned one score for the group of measures as a whole. In assessing 2011 performance, the Committee noted that the Company substantially met all but one of the measures and that the Company had outperformed goals on reserves additions, pre-tax cash margin, and oil and gas exploration. The Committee also noted year-over-year improvement in operational and financial performance on most measures. Based on this level of performance, the Committee determined a performance score of 120% for operational and financial measures.

Table of Contents

NAMED EXECUTIVE COMPENSATION (cont d)

After assessing operational and financial performance, the Committee then reviewed performance on a number of strategic measures considered key indicators of Company s ability to grow and compete successfully in the future. The table below reflects the Company s performance on strategic measures in 2011:

[1] 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.

[2] Learning and People measures consisted of number of job positions with ready-now succession candidates, percent of promotional opportunities filled by internal candidates, and voluntary attrition rate.

Similar to its approach to scoring operational and financial measures, the Committee assessed performance and assigned a score for the group of strategic measures as a whole. In assessing 2011 performance, the Committee noted that the Company met or exceeded goals on all measures. As part of its assessment, the Committee singled out the Company s strong position with respect to attracting and developing critical talent as well as the leading role the Company took in advancing the interests of the domestic oil and gas industry during 2011. Based on these considerations, the Committee assigned a performance score of 150% for strategic measures.

Table of Contents

As noted above, the Committee apportioned weights to the two general categories of performance measures 70% for operational and financial measures and 30% for strategic measures in order to reflect the relative impact of those measures on the Company s success. Based on the performance scores determined through the forgoing assessments and the apportionment of separate weights to those scores, the cash performance bonus formula yielded the following overall company performance score:

	Weighting		Score		Total
Operational and Financial Measures	70%	X	120%	=	84%
Strategic Positioning Measures	30%		150%		45%
2011 Company Performance Score (Sum of Scoring of Measures, rounded)					130%

While our compensation program is highly structured and makes use of metrics and formulas, the Committee maintains discretion to adjust the amount of performance cash bonuses in order to recognize critical performance factors that may not have been fully taken into account in calculating the company performance score. Although the company performance score for 2011 was 130%, the Committee believed that the Company s below average TSR warranted a downward adjustment to bonuses so that each named executive officer s bonus for 2011 would be lower than that of the prior year. The Committee did not apply any adjustments based on individual performance factors.

The following table outlines the calculations made for the performance cash bonuses awarded for 2011:

Executive	2011 Salary[1]		Performance Bonus Target		Company Performance Score		Process Determined Bonus Amount[1]	Committee-applied downward adjustment	Actual Bonuses Awarded[1]
John Richels	$ 1,400		135%		130%		$ 2,457	due to the under-performance of the Company s TSR	$ 2,300
J. Larry Nichols	$ 1,500		100%		130%		$ 1,950		$ 1,500
Jeffrey A. Agosta	$ 525	X	100%	X	130%	=	$ 683		$ 520
David A. Hager	$ 775		100%		130%		$ 1,008		$ 850
Darryl G. Smette	$ 675		100%		130%		$ 878		$ 755

[1] All dollar amounts in thousands.

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.

Table of Contents

In analyzing the value and type of long-term incentives awarded to our named executive officers, the Committee takes into account:

- recent Company performance with a focus on how such performance creates value for our stockholders over the long-term;
- each named executive officer s individual performance during the year;
- our compensation philosophy;
- competitive market conditions;
- historical practices, including the value of prior years long-term incentives;
- incentive awards for others in the organization; and
- the impact of awards on the Company s share dilution levels.

In 2011, the Committee determined that creation of stockholder value would be promoted by linking all long-term incentives awarded in the year to Company performance. Accordingly, the Committee granted stock options and two new types of long-term incentives to named executive officers performance restricted stock and performance share units and elected not to grant any restricted stock that vested over time without reference to performance measures.

Table of Contents

NAMED EXECUTIVE COMPENSATION (cont d)

The following table describes the long-term incentives granted to named executive officers in 2011:

Type of LTI Award	Purpose	Vesting Conditions
Stock Options	Stock options give executives the right to purchase common stock of the Company at a specified price within a specified period of time. Only when the Company s stock price exceeds the strike price will the executive have the opportunity to gain financially.	20% of stock options immediately vest and become exercisable on the grant date; an additional 20% of each grant vests and becomes exercisable on each of the first four anniversaries of the original grant date. The grant term is 8-years.
Performance Restricted Stock (PRS)	PRS encourages executives to work toward achievement of a pre-set financial metric. For 2012 the metric, which relates to the Company s cash flow, is confidential but will be detailed in the Company s 2013 Proxy Statement.	Shares only vest if the Company meets the applicable pre-set financial metric. If metric is achieved, shares will vest 25% per year over four years. If metric is not achieved, grant will be forfeited.
Performance Share Units (PSU)	PSU encourages executives to promote mid-term shareholder return.	Executives may earn between 0 and 200% of the shares underlying the grant based on the Company s total shareholder return (TSR) relative to companies in the peer group. For 2011 PSU grants, 50% of the grant will vest pursuant to relative TSR for the two-year period from January 1, 2012 to December 31, 2013; the remaining 50% will vest based on relative TSR for the three-year period of January 1, 2012 to December 31, 2014.[1] Payout will be determined as of the end of the specified performance period based on actual TSR performance over the period; the following grid details the tie between relative performance and payout levels.

The Company s TSR against its peers[2]	Payout percent of shares underlying grant
1-3	200%
4	180%
5	160%
6	140%
7	120%
8	100%
9	85%
10	70%
11	60%

12	50%
13-15	0%

[1] It is anticipated that future PSU grants (if any) will vest based on relative TSR over a three-year period.

[2] The Company and the 14 peer companies listed under Benchmarking on page 27 constitute the 15 companies whose TSR will be ranked from highest to lowest to determine share payout under PSU grant.

Table of Contents

NAMED EXECUTIVE COMPENSATION (cont d)

Benchmarking conducted in 2011 indicated that the value of long-term incentives awarded to the named executive officers in 2010 was generally consistent with the Company s market objective of the 50th to 75th percentiles of the peer companies. For 2011 awards, the Committee targeted the 50th percentile.

During its year-end meeting, the Committee approved the grants set forth in the table below. In accordance with applicable accounting requirements, we use a different valuation method (in this case, a Monte Carlo simulation) in the Summary Compensation Table for performance share units. The Monte Carlo simulation for the performance share units assigned a higher per unit value than the closing price for the Company s stock as of the grant date.

Executive	Item[1]	Stock Options[2]	Performance Restricted Stock[2]	Performance Share Units[2]
John Richels	Value	$3,334	$3,334	$3,333
	Shares	145.2	51.2	51.2
J. Larry Nichols	Value	$0	$4,001	$0
	Shares	0.0	61.5	0.0
Jeffrey A. Agosta	Value	$667	$668	$667
	Shares	29.1	10.3	10.2
David A. Hager	Value	$1,000	$1,001	$1,000
	Shares	43.6	15.4	15.4
Darryl G. Smette	Value	$767	$767	$766
	Shares	33.4	11.8	11.8

1 For each executive, the Committee first determines the total value of long-term incentives to be awarded then apportions the total value by type of long-term incentives. Then the committee determines the number of stock options using Black-Scholes-Merton method and the number of performance restricted stock and performance share units using face-value method (value divided by grant date closing price).

2 Dollar and share amounts in thousands.

In making its award decisions, the Committee noted its continued confidence in the strategic direction set by the named executive officers and that the Company improved its long-term growth prospects through the redeployment of a portion of the divestiture proceeds as discussed earlier.

For each named executive officer other than Mr. Nichols, the overall award s face value was divided into one-third portions among stock options, performance restricted stock, and performance share units. For Mr. Nichols, the Committee determined that the options with an 8 year term and TSR-based performance share units were not appropriate for the nature of the Executive Chairman position and therefore decided to grant only performance restricted stock.

Also for Mr. Nichols, the Committee reduced the overall value of his long-term incentives by $7,000,000 as compared to the prior year in recognition of the transition of his responsibilities to Mr. Richels.

Table of Contents

ADDITIONAL COMPENSATION INFORMATION

Retirement Benefits

Our named executive officers are entitled to participate in the following retirement benefits:

- a qualified 401(k) Plan with a Company match of up to 6%;
- a nonqualified Deferred Compensation Plan that allows eligible employees to defer cash compensation beyond the limits placed on the 401(k) Plan by the Internal Revenue Code and permits the Company to contribute a match to the extent that the match available under the qualified 401(k) Plan is limited;
- a qualified Defined Benefit Plan that provides annual retirement income of 65% of final average compensation (i.e., the average of the highest three consecutive years compensation from salary and cash bonuses out of the last 10 years), less any benefits due to the participant under Social Security, times a fraction, the numerator of which is credited years of service up to a maximum of 25 and the denominator of which is 25; and
- a nonqualified defined benefit plan (the Supplemental Retirement Income Plan or SRIP) that, among other things, provides retirement benefits calculated without certain limitations applicable to the Defined Benefit Plan, accrues over 20 years of service (rather than the 25 years applicable to the Defined Benefit Plan), includes a five-year vesting schedule, and allows for payments in a lump sum upon a change in control of the Company.

Mr. Hager joined the Company after our Defined Benefit Plan was closed to new participants. In lieu of participating in the Defined Benefit Plan and the SRIP, Mr. Hager is eligible to participate in the enhanced defined contribution structure of the 401(k) Plan and receive a Company retirement contribution to his 401(k) account of 8% of his compensation. He is also eligible to participate in additional nonqualified defined contribution plans in lieu of participating in the SRIP.

For additional information on the Defined Benefit Plan, the SRIP, and the defined contribution plans as well as the present values of the accumulated benefits of our named executive officers under each plan, please refer to the Pension Benefits for the Year Ended December 31, 2011 section on page 49 and the Nonqualified Deferred Compensation Plan in 2011 section on page 54.

Other Benefits

The perquisites made available to our executives are both limited and minimal. They are listed in detail in the All Other Compensation table on page 44. Personal use of aircraft by executives on a limited basis is allowed as approved by the Executive Chairman or the President and CEO. The Committee reviews the personal use of aircraft on an annual basis and has noted that the use has been less than that of other companies in our peer group.

Post-Termination or Change in Control Benefits

We maintain employment agreements with each of our named executive officers. These agreements provide each named executive officer certain additional compensation if his employment is involuntarily terminated other than for cause or if the executive voluntarily terminates his employment for good reason, as those terms are defined in the relevant agreements. Also, in these situations, the applicable named executive officer fully vests in any unvested long-term incentive awards.

Table of Contents

If a named executive officer is terminated within two years of a change in control, the executive is also entitled to an additional three years of service credit and age in determining entitlement to retiree medical benefits and SRIP benefits (or with respect to Mr. Hager s nonqualified defined contribution plan, an additional three years of contributions by the Company).

In April 2011, the Company amended the employment agreements in order to eliminate tax gross-up payment obligations of the Company to the executives in the event of a change in control of the Company. Prior to the amendments, the employment agreements contained a tax gross-up provision that obligated the Company to pay an additional amount to the named executive officer if his benefits under the employment agreement or any other Company arrangement were subject to the tax imposed on excess parachute payments by Section 4999 of the Internal Revenue Code. The amendments to the employment agreements eliminate this tax gross-up provision.

Employment agreements with post-termination and change in control benefits are typical in the oil and gas industry and necessary in order to compete for executive talent. Please refer to the Potential Payments Upon Termination or Change in Control section on page 55 for more information.

Material Differences in Compensation of CEO

Mr. Richels total compensation for 2011 was higher than that of other named executive officers primarily because of his position as President and CEO, his experience and stature in the industry, his reporting relationship to the Executive Chairman, the compensation levels of comparable executives of other companies against whom his compensation is benchmarked, and his greater influence over and responsibility for the entire Company (as opposed to a distinct division or function). In addition, Mr. Richels compensation recognized the leadership role he is exercising with respect to the day-to-day operations of the Company.

Mr. Nichols total compensation for 2011 was higher than that of other named executive officers (other than Mr. Richels) primarily because of his position, his role in setting the strategy for the Company, his leadership in the industry with respect to matters affecting the oil and gas industry generally, his long tenure with the Company, and his status as a founder of the Company. As discussed on page 31, each component of the Executive Chairman s direct pay was decreased from the prior year to reflect the transition of responsibilities from the Executive Chairman to the President and CEO.

Stock Ownership Guidelines

Ownership of our stock by our executives aligns their interests with the interests of our stockholders. Accordingly, the Board of Directors maintains stock ownership guidelines that require each executive officer who has served in such capacity for at least five years to own shares of common stock at least equal in value to a multiple of his base salary. The guidelines establish the following minimum ownership levels:

Officer Title	Share Ownership Expectation as Multiple of Base Salary
President and CEO	Five times base salary
Executive Chairman	Five times base salary
Executive Vice Presidents	Three times base salary

As of March 31, 2012, each executive officer held stock in excess of the levels required in the guidelines. Moreover, our executives have historically maintained share ownership levels well above our guidelines. For purposes of calculating share ownership levels, the Board includes (i) shares owned directly by the officer and his immediate family members who share the same household, (ii) shares owned beneficially by the officer and his immediate family members residing in the same household, and (iii) unvested restricted stock for which restrictions have not lapsed.

The Company also has a policy that prohibits our personnel from engaging in short-term or speculative transactions involving our common stock. This policy prohibits trading in our stock on a short-term basis, engaging in short sales, buying and selling puts and calls, and discourages the practice of purchasing the Company s stock on margin.

For additional detail on the stock owned by our named executive officers, please refer to the Security Ownership of Management table on page 64.

Compensation Program and Risk-Taking

Our executive compensation program is designed to provide executive officers incentives for the achievement of near-term and long-term objectives, without motivating them to take unnecessary risk. As part of its review and discussion of the compensation program with the Compensation Consultant, the Committee noted the following factors that discourage the Company s executives from taking unnecessary or excessive risk:

- the Company s operating strategy and related compensation philosophy;
- the effective balance of our compensation program between cash and equity mix, near-term and long-term focus, corporate and individual performance, and financial and non-financial performance;
- a multi-faceted approach to performance evaluation and compensation that does not reward an executive for engaging in risky behavior to achieve one objective to the detriment of other objectives; and
- significant executive stock ownership pursuant to our stock ownership guidelines.

Based on this review and discussion, the Committee believes that the total executive compensation program does not encourage executive officers to take unnecessary or excessive risk.

Consideration of Tax Implications

Section 162(m) of the Internal Revenue Code disallows, with certain exceptions, a federal income tax deduction for compensation over $1,000,000 paid to the Chief Executive Officer or any other named executive officer except the Chief Financial Officer. One exception applies to performance-based compensation paid pursuant to stockholder approved employee benefit plans (essentially, compensation that is paid only if the individual s performance meets pre-established objective performance goals using performance measures approved by our stockholders).

With approvals given by the Committee in 2011, the Company will take actions in 2012 to promote tax efficiencies provided for under Section 162(m). At the 2012 annual meeting, the Company is seeking stockholder approval for amendments to the 2009 Long-Term Incentive Plan that, if a